Annual Report 2000

25 years 2001

www
A Logical Step

transcontinental

Financial Highlights

For the years ended October 31

(in thousands of dollars, except per share data and employees)	2000	Change %	1999	Change %	1998
Operations					
Revenues	**$ 1,798,801**	16	$ 1,548,622	16	$ 1,336,756
Operating income before amortization	**261,964**	20	218,312	24	175,643
Operating income	**166,963**	26	132,901	27	104,575
Net income before amortization of goodwill	**85,536**	44	59,592	18	50,342
Net income	**61,078**	26	48,610	15	42,104
Cash flow from operations	**184,331**	20	153,986	21	127,303
Investments					
Acquisition of capital assets	**112,755**	13	99,856	6	94,465
Business acquisitions [1]	**156,875**	—	104,713	—	153,009
Financial condition					
Working capital	**(60,785)**	(77)	(34,277)	32	(50,705)
Capital assets	**614,033**	6	581,494	3	564,077
Total assets	**1,501,917**	19	1,263,802	10	1,153,587
Total indebtedness, net	**464,650**	57	295,474	10	268,865
Shareholders' equity	**477,299**	5	454,630	7	424,946
Per common share data					
Operating income before amortization	**7.05**	20	5.87	24	4.75
Operating income	**4.49**	26	3.57	26	2.83
Net income before amortization of goodwill	**2.30**	51	1.52	20	1.27
Net income	**1.64**	34	1.22	16	1.05
Cash flow from operations	**4.96**	22	4.06	21	3.35
Dividends on common shares	**0.20**	25	0.16	—	0.16
Common shareholders' equity	**12.80**	14	11.18	8	10.32
Average number of common shares outstanding (000's)	**37,158**	—	37,181	—	36,998
Number of common shares at end of year (000's)	**37,287**	—	37,071	—	37,298
Employees					
Canada	**9,966**	27	7,870	(3)	8,089
United States and Mexico	**1,465**	7	1,366	16	1,173
	11,431	24	9,236	—	9,262

[1] Represent businesses acquired through the purchase of shares or assets in consideration of cash or shares of the Corporation.

Letter to our Shareholders

These results confirm that Transcontinental is one of the most productive companies in its industry in North America and strengthens my conviction that our stock price is undervalued by the financial market. The Corporation is in an excellent position to further its growth and I am very confident about our future. The restructuring of our operations into three complementary sectors gives us a leading edge in the marketplace.

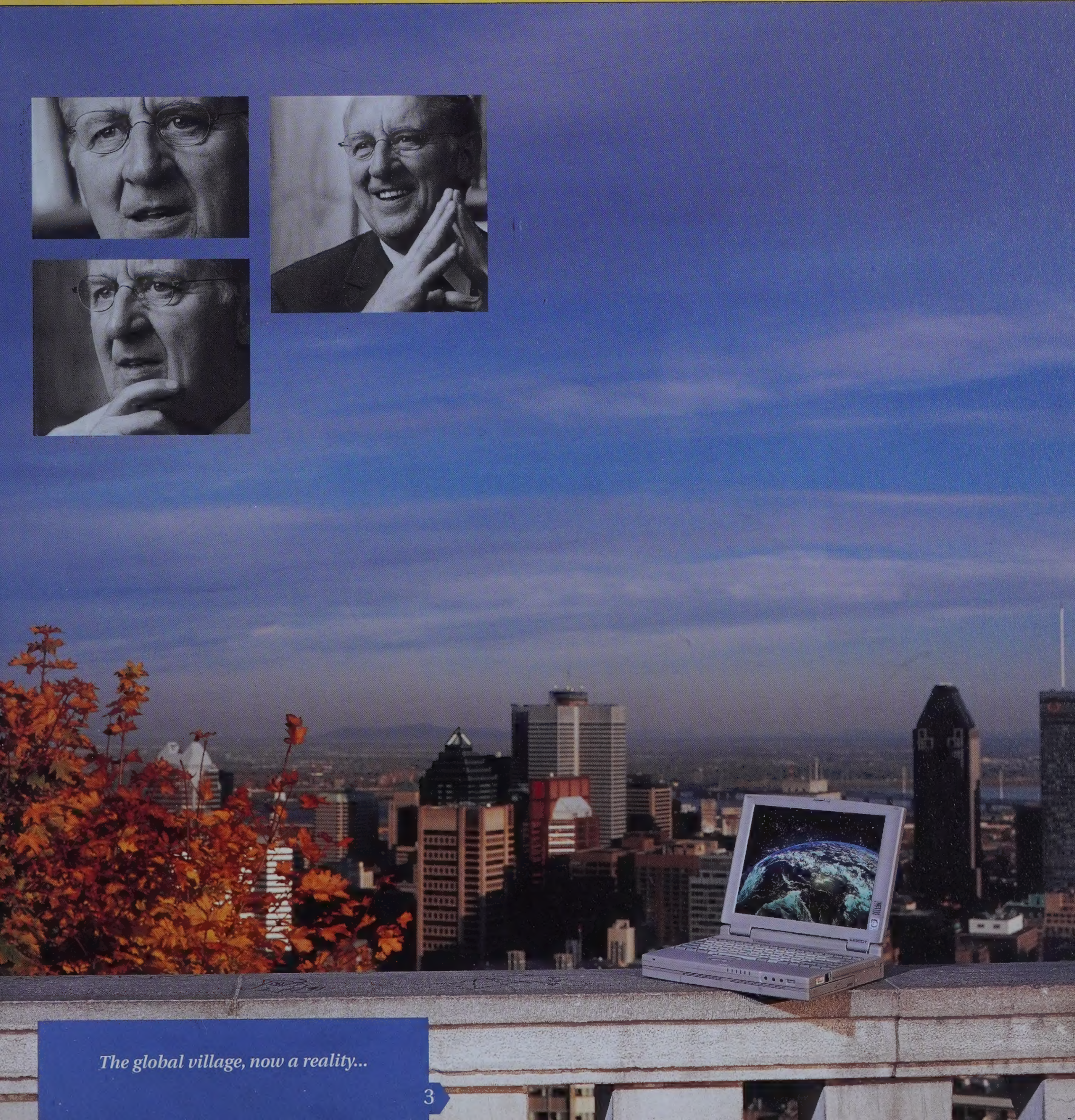
In 2000, on the eve of Transcontinental's 25th anniversary, I toured our plants across North America. Everywhere I went, I met with employees to talk about what we had achieved during the year and what we are planning for the future. These meetings, along with our annual planning process, taught me a great deal about the markets and our primary resource, our employees. I decided to include here the general questions that came up most often during those discussions, namely questions about the future of their company in the context of the Internet. For example, I was asked how Transcontinental is positioning itself in the new economy. My reply was as follows:

The Internet, digital technology and the telecommunications industry are spearheading the new economy. In 1996, recognizing the importance of these new developments, Transcontinental created an e-commerce subsidiary. It was *a logical step*, attuned to our role of helping our customers, be they companies or advertisers, reach consumers more effectively. Most importantly, it was done at a pace that our customers were comfortable with. The emergence of the Internet fits in with our business model of introducing complementary products and services that meet the evolving needs of our customers. That whole process was stepped up significantly this past year. Right now, Transcontinental is a veritable Internet construction site, but a well organized one, because we have learned lessons from those companies that have simply thrown themselves into the industry without taking market realities into account.

- *What is Transcontinental's Internet strategy?*

Our strategy is consistent with our business model: we will continue to work with and listen to our

For the third fiscal year in a row, Transcontinental has made good on its commitment to shareholders by achieving an average annual growth of at least 15% in revenues and earnings. I am particularly proud of the record 35% increase in net income applicable to common shares, which reached a historic peak of \$61.1 million or \$1.64 per share.



The global village, now a reality...

customers, anticipate their needs and suggest new partnership solutions. It's what has made us, and our customers, successful in the past. We have, in fact, just created two new operating sectors — the Media sector and the Interactive Marketing sector — to address our customers' new needs in marketing and communications, and create new business opportunities. It's still the same philosophy of providing *total service* at a one-stop shop.

- *Isn't there a risk of falling behind our competitors?*

Actually, the opposite is true. With our gradual migration to digital technology, Transcontinental has already become a leader in North America. We have over a hundred websites of all kinds, and our traditional operations are being enhanced by digital technology. As a printer, we have the highest proportion of plants with "direct-to-plate" technology, and our prepress service is one of the most highly computerized and web-friendly in the industry. As a publisher, we own prestigious and well-recognized brands in highly popular niches including women's interests, personal and business finance, arts and entertainment, and sports. The Internet is an ideal environment for content producers. That's one of the reasons why, in 2000, we acquired Telemedia's portfolio of magazines, the biggest transaction in Transcontinental's history. We are working very hard to build portals and sites that will attract not only our readers, but also all interested websurfers.

- *Is this the beginning of the end for printed products?*

Not at all. Did television make radio and newspapers disappear? The reality is that a new medium does not eliminate existing ones, it simply forces them to redefine themselves. The current distribution channels — television, radio, newspapers, magazines and the web — will continue to co-exist because they each meet a specific consumer need. And in that coexistence, printed products in general will remain a major distribution channel.

- *What makes you so sure?*

All you have to do is look at the behaviour of today's young Internet users, those that will become the

consumers of tomorrow. According to research conducted by the U.S. firm Forrester, these young websurfers continue to significantly prefer printed media to electronic as their primary source of information. And when both print magazines and online magazines exist on the same topic, the printed ones still have the upper hand. So, far from being a threat to our industry, the Internet creates a unique link between the digital world and the world of specialty magazines like those we publish. This means that we can attract readers from both worlds and thus better serve our advertisers. For instance, Transcontinental is a partner, with Bell ActiMedia, in the English-language magazine *Sympatico NetLife*, which is aimed at users of this major portal.

- *How are we going to continue to grow in a fiercely competitive environment?*

By continually re-thinking our way of doing things and acting accordingly. We have to do more and better with less in each of our markets and at every level. That's the daily challenge for both you and I. It's also the aim of our strategic planning exercise, in which a hundred of our managers took part this year: to help us see beyond the rapid pace of technological change. That being said, our business model, based on innovation, proximity to the customer and total service, will continue to be the foundation for our current and future development.

- *What is Transcontinental's strategy for dealing with globalization?*

We have a two-pronged strategy. In Canada, we want to be Number 1 in all our activities. We already are that in most of our segments, whether it be printing, publishing, door-to-door distribution or supplying of personalized marketing and e-commerce services. But our essential growth over the next few years will come from international markets. Already, in 2000, more than 30% of our sales are generated outside Canada. Our international thrust is highly targeted. We plan on becoming a key player in specific countries and niches rather than a small player in a large number of countries. The United States is our first target in high-growth niches like direct marketing. Mexico is our other target because of its high potential for development. And in Mexico, we're already the leading printer and door-to-door distributor of flyers.

- *What do you think Transcontinental will look like in five years?*

It's a safe bet that most of our income will continue to be generated by our traditional printing and publishing activities. But digital technology and the Internet will have introduced considerable changes and created many new business opportunities. I know one thing for sure: as long as we continue to deliver value to our customers, Transcontinental will continue to grow. The next decade won't be a battle between the Internet and traditional media, but rather a battle for customer loyalty. This is a battle that we are already familiar with. The skills and knowledge acquired in the old economy will be key success factors in the new one. I am thinking, for instance, of data confidentiality, of meeting deadlines, of staying within budget and of executing our work promptly and well. Financial markets are, in fact, increasingly recognizing the value of these so-called "traditional" assets.

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To have happy and satisfied customers, you need happy and satisfied employees. That's why I like to talk to employees directly as much as possible, and I encourage my managers to do the same. This direct contact fosters respect and understanding. Well-informed employees who identify with the company are the cornerstones of development. Transcontinental has been built on that foundation. Our ability to heighten the quality of our products and services depends on the contribution of each and every employee.

CORPORATE AFFAIRS

I would like to take this opportunity to thank the members of the Board of Directors for their support, constructive criticism and stimulating input over the past year. The Board welcomed two new members in 2000, Monique Lefebvre and Hubert T. Lacroix. Their experience in new information technologies and management of major corporations, respectively, will no doubt contribute to Transcontinental's growth.

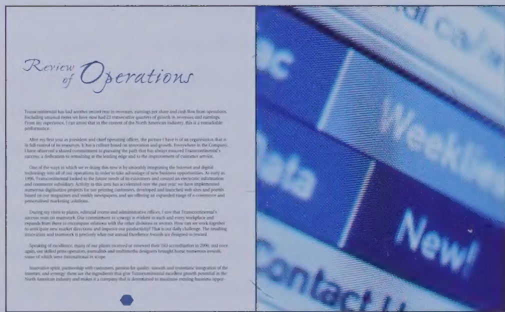
In the following pages, Luc Desjardins, appointed President and Chief Operating Officer in May 2000, will review the key events that marked the year, with particular emphasis on the relevance of marketing and the growth potential of our new operating structure. More than ever before, Transcontinental is in an excellent position to take on the challenges of the new economy and create value for its shareholders.

Turning 25 is a major milestone in the life of a company. I would like to thank our customers and shareholders for the trust they have showed us year after year. I can assure you that the 11,500 members of the great Transcontinental family will continue to prove themselves worthy of it in 2001.

Rémi Marcoux
Chairman of the Board
and Chief Executive Officer

January 8, 2001

Review of Operations



We are convinced that because printed materials are such an effective and economical way for businesses to reach the consumer, the printing industry is bound to continue growing. At this point, the Internet is more of a complement to traditional channels than it is a replacement for them. In fact, it is creating new business opportunities for printers and publishers, made evident by the existence of many new print magazines derived from Internet sites.

Transcontinental has had another record year in revenues, earnings per share and cash flow from operations. Excluding unusual items we have now had 23 consecutive quarters of growth in revenues and earnings. From my experience, I can attest that in the context of the North American industry, this is a remarkable performance.

After my first year as president and chief operating officer, the picture I have is of an organization that is in full control of its resources. It has a culture based on innovation and growth. Everywhere in the Corporation, I have observed a shared commitment to pursuing the path that has always ensured Transcontinental's success: a dedication to remaining at the leading edge and to the improvement of customer service.

One of the ways in which we're doing this now is by smoothly integrating the Internet and digital technology into all of our operations in order to take advantage of new business opportunities. As early as 1996, Transcontinental looked to the future needs of its customers and created an electronic information and commerce subsidiary. Activity in this area has accelerated over the past year: we have implemented numerous digitization projects for our printing customers, developed and launched web sites and portals based on our magazines and weekly newspapers, and are offering an expanded range of e-commerce and personalized marketing solutions.

During my visits to plants, editorial rooms and administrative offices, I saw that Transcontinental's success rests on teamwork. Our commitment to synergy is evident in each and every workplace and expands

Magazines provide advertisers with access to defined communities of readers who share common interests. Far from being a threat, the Internet creates a unique link between the digital world and print magazines, attracting readers from both worlds and making it possible for us to better serve advertisers.

from there to encompass relations with the other divisions or sectors. How can we work together to anticipate new market directions and improve our productivity? That is our daily challenge. The resulting innovation and teamwork is precisely what our annual Excellence Awards are designed to reward.

With regards to excellence, many of our plants received or renewed their ISO accreditation in 2000, and once again, our skilled press operators, journalists and multimedia designers brought home numerous awards, some of which were international in scope.

Innovative spirit, partnership with customers, passion for quality, smooth and systematic integration of the Internet, and synergy: these are the ingredients that give Transcontinental excellent growth potential in the North American industry and makes it a company that is determined to maximize existing business opportunities and create new ones. That was the driving force behind the operational restructuring we implemented in November 2000.

Transcontinental now has three operating sectors: the Printing sector; the Media sector, a regrouping of our publishing and distribution operations that focuses on content; and the Interactive Marketing sector, which combines our printing expertise in direct marketing (database management and personalized printing) with our e-commerce expertise from the former technology sector. From this point on, our interest in Americ Disc will be presented separately.

This reorganization will help us meet new customer needs, ensure optimal use of our core competencies and develop business opportunities in new media.

From bricks to clicks...

The Review of Operations will reflect this new organizational structure, the framework for our development in the coming years.

PRINTING SECTOR

Transcontinental is one of the top commercial printers in North America and the Canadian leader in almost all of its market niches. The Printing sector posted its fourth year of strong growth and achieved or surpassed most of its financial and strategic targets. In 2000, our 14.5% cash flow margin before amortization strengthened our position amongst the most profitable major printers in North America.

We are convinced that because printed materials are such an effective and economical way for businesses to reach the consumer, the printing industry is bound to continue growing. At this point, the Internet is more of a complement to traditional channels than it is a replacement for them. In fact, it is creating new business opportunities for printers, made evident by the existence of many new print magazines derived from Internet sites.

That being said, digital technology is nonetheless radically changing the way we do business. Most of our plants are now equipped with "direct-to-plate" technology and our goal is to offer a fully digital prepress service. To that end, we have introduced a major program of electronic production that is designed to improve communication with our customers, make production more efficient, cut production time and costs, increase product flexibility, and make it easier to handle the inevitable last-minute changes. Moreover, being already digitalized, we can use the information with equal ease and efficiency in a printed document or on a web page.

In this era of media convergence, we believe that this is the best way to win customer loyalty, a key issue in the new economy.

One of our projects, being conducted in partnership with certain major retailers, involves a web interface called *Customer Window*, whereby customers can use the Internet to consult image files on a remote server. In addition to allowing fast and accurate updating, this web-based service brings the client directly into the production cycle and eliminates database duplication. Now in its initial phase, the service will be expanded to a larger group of customers in 2001.

The rapid implementation of digital technology is a natural extension of Transcontinental's approach to business. From its very beginnings, the company has embraced technological innovation. In 2000, we implemented an ambitious $93 million capital-spending program to modernize or add equipment at a number of our printing plants.

Rationalization has also been on the agenda. We have implemented a number of measures that will strengthen our competitive position over the next few years. These include the transfer of flyer production to our Saint-Hyacinthe and Brampton plants subsequent to the closure of the Cornwall plant, the transfer of book production from Métropole Litho to other printing plants, and the merger of our Boucherville and Drummondville plants on Montréal's South Shore. Furthermore, we have introduced a number of productivity improvement and cost reduction projects under the *Best Practices* program.

The Printing sector is beginning 2001 with 31 specialized plants, annualized revenues of about $1.2 billion and close to 6,500 employees in Canada, the United States and Mexico. The sector is composed of three operating groups: Retail, Commercial and Book. This structure, which reflects our market segments, allows for more efficient geographic co-ordination and helps us get to know and better serve our customers.

Retail Group

As Canada's leading printer of retail flyers and inserts, Transcontinental operates a network of plants from Montréal to Vancouver and south into Mexico via Dayton, Ohio. This network fulfils a dual purpose: it enables us to meet demand from regional retailers and, thanks to electronic data transmission, to print products for our national customers in several different plants at the same time. The network brings our customers closer to consumers while reducing their transportation costs and production times.

The Retail group's success in 2000 can also be credited to its ability to handle the entire production process, from prepress to finishing and shipping, as well as the added value derived from the synergy between Transcontinental's various components. Thus, either directly or through our national brokerage service, we are able to deliver a flyer to over 11 million homes across Canada. A customer can also make use of the personalized marketing and e-commerce services offered by the Interactive Marketing sector.

Another factor in our success is the very close relationships we build with our customers. Over the past year, we have continued to expand our program of strategic alliances. This partnership program encourages loyalty by helping customers reduce costs, solve problems and use technological innovation to design new products.

All these factors brought us more customers and more long-term contracts in 2000, particularly in the United States. Over 80% of the sales generated by our 20 main customers are secured by contracts of three or more years.

Our new flyer printing plant in Toluca, just outside Mexico City, has made Transcontinental Mexico's leading flyer printer. The life cycle of the flyer is just beginning in Mexico. With a market of 90 million people and a fast-growing retail industry, it is a niche that has a high growth potential.

The highlight of the past year in Mexico was the acquisition of Global Promotion Group, Mexico's largest door-to-door distributor of flyers. Global adds a key link to our service offer, giving us the ability to offer retailers the integrated services (prepress — printing — distribution) that have proved so successful in Canada. The acquisition complements the Toluca flyer plant and our prepress and digital photoshop in Mexico City.

Commercial Group

Transcontinental is one of the top printers of catalogues, magazines and directories in Canada, and serves the entire continent with its Canadian network of specialized plants. Our goal is to be the top supplier for every product we produce and every market we operate in. We will achieve this thanks to

two major competitive advantages: innovative products and services, made possible by sustained investment in sophisticated technologies, and partnership building.

These two advantages played a key role in our winning a six-year contract valued at over $60 million to print the Canadian version of *Time* magazine at RBW Graphics, our plant in Owen Sound, Ontario. "When Time Canada chose Transcontinental as its printer, we did so with an eye toward better serving our readers and advertisers," said Mark Updegrove, president of Time Canada. "In the demanding news business, with tight editorial deadlines and ever-changing stories, it is essential that we get our magazine off the presses and into the hands of our readers as fast as possible. Transcontinental has delivered on that challenge, offering Time a partnership for the rapidly changing new millennium."

To remain the leader in productivity and customer satisfaction, we have begun merging our Drummondville and Boucherville plants on Montréal's South Shore. Both plants specialize in magazine printing. The commercial printing industry in North America is undergoing consolidation and customers are demanding increasingly specialized services. We fully intend to maintain the critical mass required to offer top quality products on a broad scale and a profitable basis. The merger will be completed in 2001.

The synergy of Transcontinental's operations has allowed the Corporation to successfully tackle one of this year's major challenges: the integration into our printing network of publications acquired over the past 18 months from Telemedia, Plesman Communications and Investment Group. It was a feat that demanded considerable co-ordination and co-operation between the sectors involved.

In terms of environmental protection, another of Transcontinental's strengths, RBW Graphics received a 1999 Pollution Prevention award from the Canadian Council of Ministers of the Environment for its new at-source energy recovery system. It was one of only four companies in Canada to be so honoured.

In just a few years, Transcontinental has become Canada's leading independent newspaper printer, with a network of plants that stretches from Halifax to Vancouver. Our customers include *The Globe and Mail* and the *National Post*, as well as over 100 weekly newspapers. The major dailies are now concentrating more of their energy on content and therefore leaving the printing to the specialists. Our reliability and expertise, particularly in colour printing, are widely recognized in the newspaper industry.

There are two clear benefits to newspaper printing: the work is spread evenly throughout the year and the contracts are long term. We have just signed a major extension and expansion of our contract with *The Globe and Mail* until 2010.

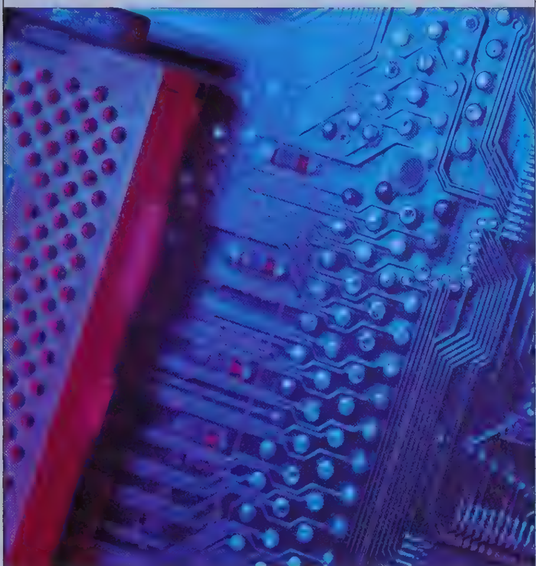
This year, our newspaper printing plant Transmag won an Excellence Award — our in-house Oscars for innovation — in the Customer Satisfaction category for having developed a system for managing and storing typefaces and fonts on a compact disc, thereby solving a number of problems at the prepress and printing stages for both the printer and the customer.

Book Group

Transcontinental is Canada's leading book printer and a key player in several regions of the United States. Our leadership stems from the fact that we offer publishers a full range of formats and bindings, in black and white or colour, and use

state-of-the-art equipment. Close to 75% of our plants use direct-to-plate technology. Over the course of last year, Book group sales increased significantly in the United States and Ontario.

Transcontinental intends to remain the leader in productivity and customer satisfaction in all its markets. To do so, it must continually rationalize its investments and resources. In 1999 we announced the decision to close the Métropole Litho plant and transfer production to our plants in Beauceville, Québec, and Peterborough, Ontario. In 2000, we expanded these two plants, installed new presses and transferred the hardcover binding equipment. Once fully integrated, these changes will allow us to economize millions of dollars all while bringing us closer to our customers in the United States and Ontario.



Interglobe Printing, in Beauceville, received a special mention in the 2000 Excellence Awards for creating a task force responsible for speeding development of the American market.

MEDIA SECTOR

Transcontinental's goal is to serve Canadian readers from coast to coast in both official languages and to give advertisers access to a truly national readership. It was with this in mind that we created the Media sector, a regrouping of our magazine and newspaper publishing activities as well as door-to-door distribution of advertising material. This structure allows Transcontinental to optimize its core competencies in content production and distribution. As well, our prestigious brands and presence in vertical and local communities of interest have made us a leading Canada-wide supplier of consumer content. We have begun using this rich source of content in different media platforms, including the Internet and specialty TV channels.

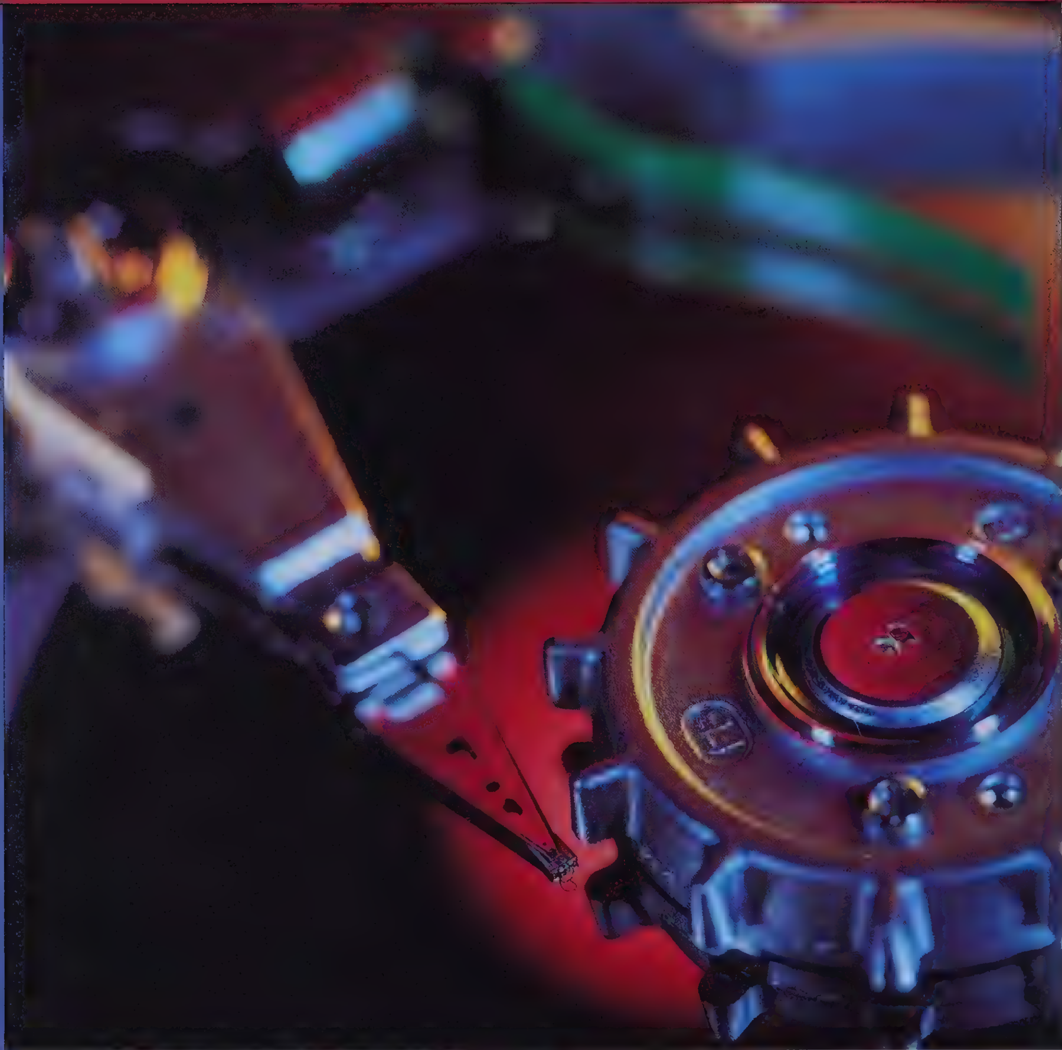
The Media sector begins the year 2001 with some one hundred specialized or regional publications, annualized revenues of about $370 million, and close to 1,700 employees in Canada and the United States.

Magazine and Periodical Publishing

With 53 titles and an annual readership of over 100 million, Transcontinental is the biggest publisher of consumer magazines in Canada and, with a 22% market share, the second largest publisher of magazines, all categories combined. We have developed five portfolios of specialized titles, in every one of which we are the leaders: women's content, personal and business finance, TV and entertainment, sports, and new technologies.

In 1998, we made a commitment to our shareholders to double the size of our publishing operations by the end of 2000. After divesting titles that were unprofitable or did not meet the strategic criteria of being dominant in their markets, we made a series of acquisitions that allowed us to far exceed that objective.

During fiscal 2000, we acquired the seven publications of Plesman Communications, among them *Computing Canada* and *Direction Informatique*, aimed at the new information technology industry. Transcontinental also made the largest acquisition in its history by purchasing the publishing assets of Telemedia,



thereby adding 11 titles, many of them top-ranked in Canada, to our magazine portfolios: *Canadian Living*, *TV Guide*, *Coup de pouce*, *Homemaker's*, *Madame*, *Style at Home*, *Western Living* and *Vancouver Magazine*, as well as the Telemedia interest in *TV Hebdo*, *Elle Québec* and *Sympatico NetLife*.

Transcontinental once again demonstrated its considerable expertise in business integration by instituting, for these two acquisitions, synergies and cost saving measures that will total over $8 million in 2001.

Given our mission to offer pan-Canadian coverage to advertisers in both French and English, we have continued to create business opportunities that build on our assets. We thus launched *Finance et Investissement*, the French-language counterpart of *Investment Executive*, acquired in 1999. We also signed a contract with Hachette Filipacchi, the largest magazine publisher in the world, to launch *Elle Canada* in 2001, the English-language counterpart of our magazine *Elle Québec*.

Magazines provide advertisers with access to defined communities of readers who share common interests. Far from being a threat, the Internet creates a unique link between the digital world and print magazines, attracting readers from both worlds and making it possible for us to better serve advertisers. It is therefore not surprising that an increasing number of portals and websites have

acknowledged the natural relationship between Internet use and magazine readership by launching their own print magazines. Transcontinental is also partners with Bell Actimedia in the English-language magazine *Sympatico NetLife*, which is published six times a year with a circulation of over 600,000 copies.

Subscribing online to our magazines has also gained in popularity. In 2000, our website for *The Hockey News*, the bible of hockey in North America, received more than 3,000 new subscriptions from the United States and Canada. And, subsequent to *The Hockey News* becoming partners with the National Hockey League by providing content for their nhl.com site, its subscriptions have increased 20%.

There's more. The Internet has become a veritable brand battleground. As a major publisher, Transcontinental owns content associated to prestigious and respected brands. On the Internet, the reputation of those brands will attract not only our readers, but also countless websurfers interested in the subject. We will thus be able to multiply the utilization of our content.

During the year, we began creating portals and sites based on the emerging relationship between magazine readers and Internet users. We will be launching a women's portal in 2001 which will draw content from our portfolio of ten women's magazines, amongst which are included *Canadian Living* and *Coup de pouce*, which, with 30% of the market in Canada, are the key players in their niche. There are also our other titles, such as *Madame*, *Homemaker's*, *Elle Québec* and soon *Elle Canada*, to name just a few. In all, 6.4 million readers read our women's magazines every month.

We are also redesigning the lesaffaires.com site to develop it into a personal and business finance portal. The prestige and credibility of *Les Affaires* newspaper will help make this site a prime destination for businesspeople and investors. As part of this process, we have signed an agreement with Globe Interactive, a subsidiary of *The Globe and Mail*, giving us access to international information, highly prized by investors.

Lastly, *Les Affaires* won an Excellence Award in the Innovative Marketing category for introducing Repères Emplois, a listing of jobs offered in Québec, accessible from the lesaffaires.com site and the print edition of *Les Affaires* newspaper.

Weekly Newspaper Publishing

Advertisers gain access to communities of interest through magazines. Similarly, weekly newspapers give them access to geographic communities. With a 33% market share, Transcontinental is Québec's leading publisher of weekly newspapers. In the Montréal area alone, our 30 titles reach 1.2 million households, more than double that reached by all the dailies combined.

The strength of weekly newspapers is their proximity to the community, whether they be readers or advertisers. They are an integral part of the front-line media that trigger the sales process because of their proximity to points of sale. They have a unique penetration rate and are a highly effective medium for advertising. A recent survey showed that 77% of respondents read their weekly newspaper every week and close to 8 out of 10 check the ads. This is one of the reasons why Transcontinental is looking for further acquisitions in this segment of the media industry.

To date, 39 of our weekly newspapers have a website, almost all of which are second or third generation. Like their print versions, these online newspapers have a common visual identity, with content that varies according to whether the newspaper serves an urban or rural area. We are also developing vertical portals for automobiles, community news and restaurants, for example.

Door-to-Door Distribution

The door-to-door distribution of flyers, samples and weekly newspapers offered by Ad-Bag is another

powerful marketing tool at the disposal of advertisers. In Québec, Ad-Bag distributes an average of 50 million items a week to more than two million households.

Transcontinental sold most of its Ontario distribution operations in late 1999, enabling it to return to its historical operating profit margins. It continues to offer a full distribution service across Canada via our national brokerage service.

Door-to-door distribution is a mature market. To continue growing, we must maintain close relations

with customers and show that we are particularly attentive to their evolving needs.

It was with this reality in mind that we implemented, in 2000, a second day of distribution during the week in Québec, where demand warranted. Moreover, we acquired Média Postage, a company that distributes more than 50 million flyers a year via Canada Post, in order to offer our customers in the Greater Québec City area more flexible distribution. We also innovated by offering a new product, the exclusive “container — content” bags, that immediately proved immensely successful for advertisers.

Finally, our evolution towards micro-marketing continues at a rapid pace. Retailers are continually looking for more sophisticated targeting and database management services. We have the ability to use our analytical software to identify their most promising consumers and reach them using a personalized and geographically targeted flyer. The multi-version flyer is a common reality at Transcontinental.

INTERACTIVE MARKETING SECTOR

At a time when the channels available for reaching consumers are multiplying at breakneck speeds, retailers and advertisers are required to deal with an increasingly fragmented market. They now seek to develop personalized and targeted relationships with consumers. Technology provides them with powerful and effective tools for getting to know and interacting with customers and enhancing their loyalty. Through Internet and database use, they can now communicate with specific segments, in a targeted and even one-to-one manner, thus offering consumers the product or service that suits their particular needs.

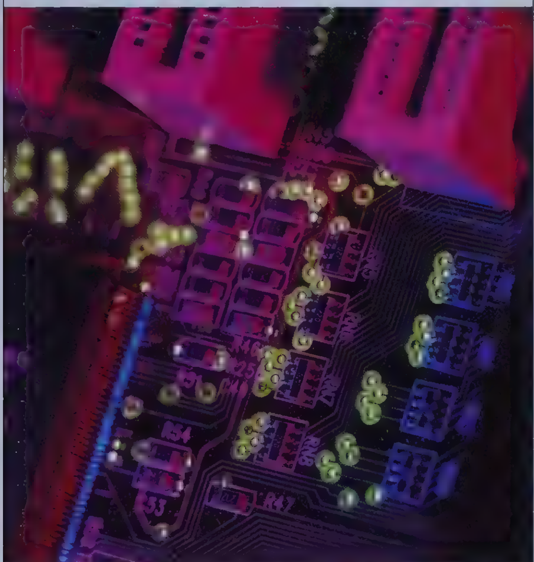
In order to provide this new type of service, Transcontinental created the Interactive Marketing sector, a regrouping of its direct marketing printing activities (database management and personalized printing) and its competencies in

e-commerce, Internet communications, customer loyalty programs and customer relationship management (CRM).

The Interactive Marketing sector has 1,600 employees in Canada and the United States, and annualized revenues of about $175 million in 2000. It is composed of four units: database management and personalized printing, Internet communication and e-commerce, a call centre, and portals.

Database Management and Personalized Printing

The first unit consists of our four direct marketing printing plants. These include Interglobe Montréal, Yorkville Printing in Toronto, and Spectra Graphics and Newtown in Philadelphia. Transcontinental is Canada's leading printer in this fast-growing niche. Products include promotional material and special printed items that use databases to establish



personalized relationships with consumers and offer them products and services that match their consumer profiles.

In 2000, this group generated internal growth of 16%, which reflects the remarkable performance of our plants in Montréal and Toronto. Transcontinental's strength has always been its capacity to produce a top-quality item, no matter how complex it may be or how many units are required by the customer. We use state-of-the-art digital equipment to produce personalized and highly complex advertising material that can now incorporate variable images targeted for each consumer.

With the implementation of our new digital control and production systems, we can now offer printing on demand for transactional or advertising purposes, complementing the Internet solutions offered by the sector.

Yorkville Printing won the Excellence Award 2000 in the Improvement of Operations category for its introduction of an electronic system for managing and storing variable data (names, addresses, content and images) for all items printed in the plant, a unique tool in the industry.

Internet Communication and E-Commerce

To keep growing in the new economy, companies must incorporate Internet services into their business model in order to strengthen the special relationship they have with the consumer. In addition to interactive sites, they also need the technologies and services required to meet their business-to-business or business-to-consumer e-commerce needs. Transcontinental is in an excellent position to provide those services thanks to the combined expertise of Marcotte Multimédia, a member of Transcontinental since 1999, and Infinet Communications and Ergonet, two firms acquired in 2000.

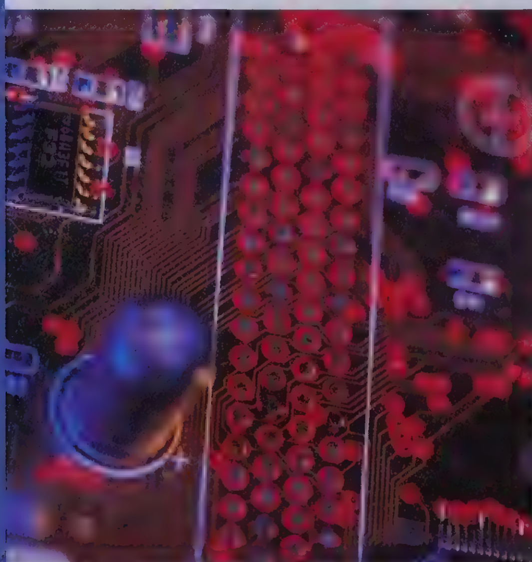
Infinet is a Canadian pioneer in the development of web-based communication tools that allow companies to communicate with consumers on an interactive and personalized basis. Since 1995, this firm has been helping companies successfully migrate their business strategies to the Internet. Infinet gives us a higher presence across Canada and adds dynamic development capacity to our marketing expertise.

Ergonet is another pioneer in the world of e-commerce solutions. Founded in 1995, this Montréal-based firm is part of the select club of Microsoft Certified Solution Providers. It has developed a generic platform that allows customers to deploy their e-commerce operations more quickly and cost-effectively.

Call Centre

Customer service is a vital component of any business, particularly now with the advent of the Internet. When a company posts a website, for instance, and receives a request for information, who handles it?

Sodema, our highly sophisticated call centre, manages customer service and sales campaigns for a range of Canadian and American companies. With its 240 workstations, Sodema offers services such as the processing of inbound and outbound calls, interactive voice response, e-mail routing and fax on demand, as well as technical support for a company's website and e-commerce needs.



Portals

An increasing number of consumers are indifferent to traditional advertising methods. They become interested in promotions, however, when the power to go out and get the information lies in their hands. It was for these consumers that Transcontinental launched its electronic promotion site publisac.ca this year. Building on the enviable reputation of the Ad-Bag brand, this site offers advertisers a combination of flexibility, interactivity and low rates. On the site, websurfers can find offers, discount coupons and flyers that meet their needs, issued by businesses in their neighbourhoods, thus generating a higher response rate.

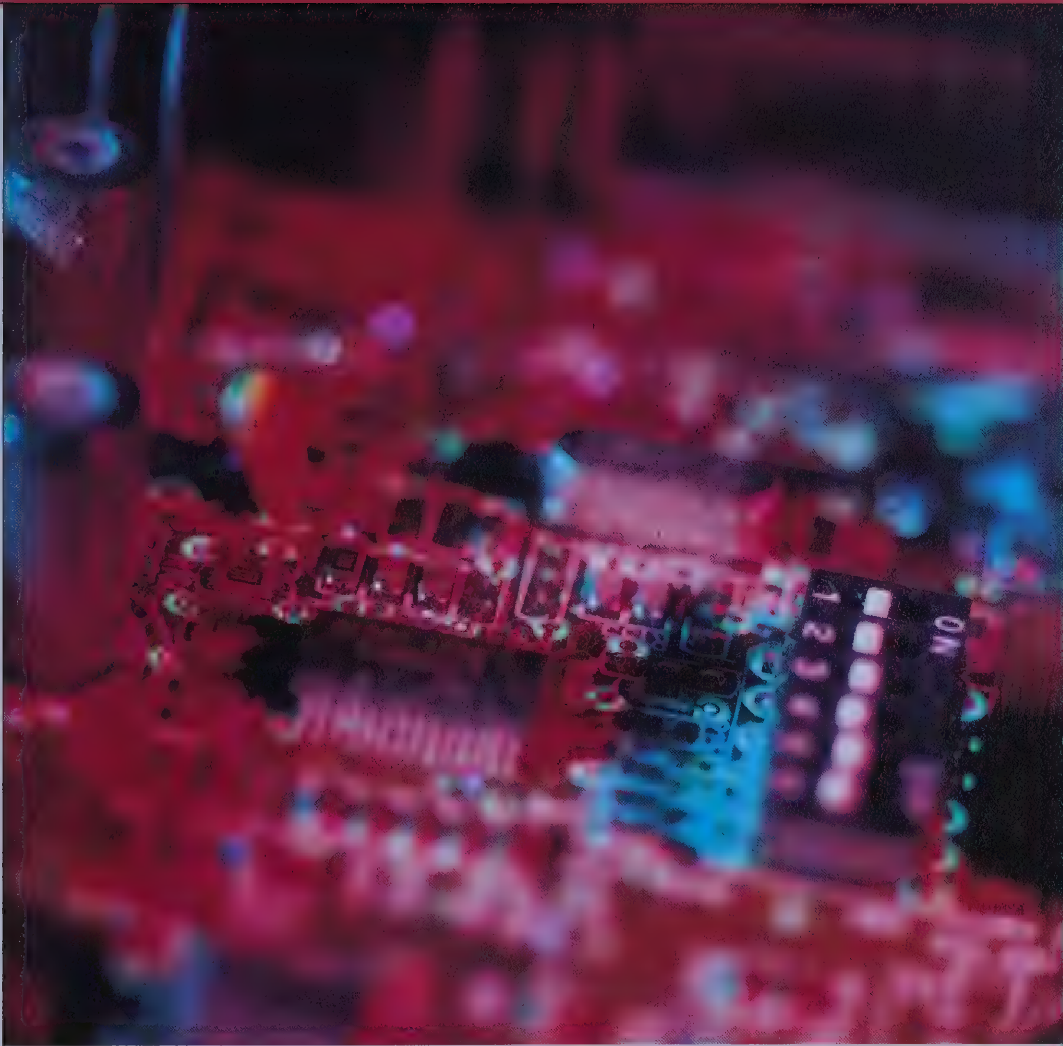
In addition, Transcontinental is partners with Bell ActiMedia in Montréalplus.ca, a portal that provides information on services and events in the Greater Montréal area.

AMERIC DISC

Our compact-disc subsidiary had a difficult year due to excess production capacity in the North American industry and the higher cost of raw materials.

Americ Disc therefore took action on two fronts. First, it implemented new measures to reduce costs and improve productivity. At the same time, it continued to play a role in industry consolidation: it acquired a majority interest in Disques RSB, a firm in Saint-Laurent (on the outskirts of Montréal) that specializes in the duplication of audio tapes and CD-ROMs; signed a partnership agreement with Nashville Compact Disc, a company located in the world capital of country music; and acquired certain assets related to the production of CDs and audio tapes from Allied Digital, headquartered in New York state.

As previously mentioned, compact-disc manufacturing is no longer one of Transcontinental's strategic activities. As such, the Corporation is exploring various options with regards to its interest in Americ Disc. In the meantime, Americ Disc's mandate is to continue improving its performance and position within the industry. As part of these efforts, Americ Disc received its anti-piracy certification from the International Recording Media Association in 2000.



Americ Disc won the Excellence Award 2000 in the Use of Equipment and Technology category for fitting its Drummondville plant with the same computerized control system it uses in its American plants.

• • •

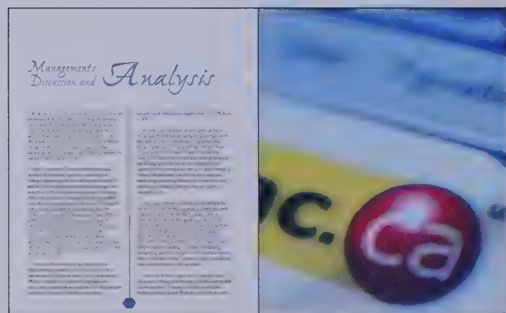
Each of our three operating sectors benefits from having a critical mass, a leading position in its market and a high potential for synergy. This puts Transcontinental at the cutting edge of its industry in terms of the communication and marketing services it offers companies and advertisers. We intend to take full advantage of new business opportunities that will arise, as well as create our own through our tremendous capacity for innovation. More than ever before, our synergies are providing us with a definitive competitive edge. It will no doubt continue to do so in the future.

Many challenges lie ahead in 2001, but we are confident that we can achieve our growth and customer satisfaction objectives.

Luc Desjardins

Luc Desjardins
President and Chief Operating Officer

Management's Discussion and Analysis



Sales outside Canada reached a new record high in 2000, at $550 million, a $103 million, or 23% improvement over last year. A portion of this growth stems from higher sales in Mexico and from Philadelphia-based Spectra Graphics, which enjoyed its first full year of operation within the Group.

By all accounts, Transcontinental Group had an exceptional year in 2000, surpassing all previous revenue and profit records. The Corporation continued to keep pace with the growth of past years, while honouring its commitments to its shareholders. These results are even more impressive given that the year was set against the backdrop of our strategic repositioning spurred by the emergence of new media.

The Corporation's consolidated revenues reached $1.8 billion, up 16% over last year. Overall, operating income before amortization, which rose in all sectors except technology, was ahead by 20%. Net income improved, climbing 26% to $61 million, compared to the $49 million recorded in the preceding 12 months. This result is even more remarkable considering that the Corporation halved its amortization period for goodwill from 40 to 20 years, resulting in a recurring reduction in net income of $6 million over 1999. This growth in income is the Corporation's best performance of the past decade. These results translate into a net income of $1.64 per common share, against $1.22 in 1999, an increase of 34%.

The cash flow margin, a key measure of productivity, nudged up 0.5%, to 14.6%. This performance indicator reflects the Corporation's efforts to enhance its internal management processes, streamline activities and build synergies within and across its business sectors. Return on shareholders' equity rose to 13.7% from 11.4%.

In 2000, the Corporation was again active on the acquisition front, growing its asset base with the addition of 11 Telemedia magazines and finalizing the acquisition of Global Promotion Group, a Mexican door-to-door distribution company.

Operating income before amortization increased by 20%, up from $218 million to $262 million. This healthy increase is due in part to the tangible steps taken through the productivity enhancement program, ongoing cost control improvements and the building of synergies among same-sector units and the sectors themselves.

A window on the cultural world...

Transcontinental also strengthened its technology portfolio with the acquisition of Ergonet, an e-commerce company, and Infinet, a Toronto-based firm specialized in interactive marketing consulting services and Internet sites. Lastly, its subsidiary Americ Disc acquired Disques RSB.

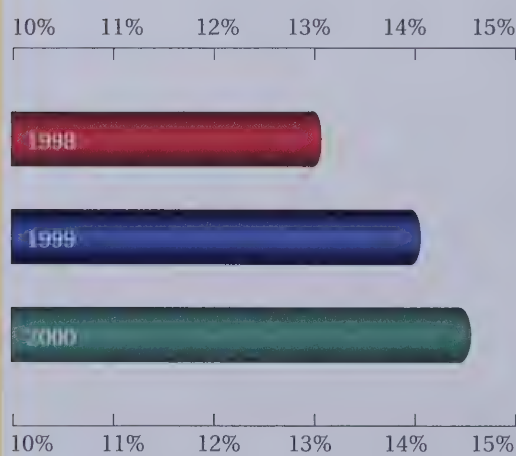
Once again, these investments helped paved the way to honouring a number of commitments to shareholders. For the third consecutive year, revenues and net income grew by at least 15%. Three of the Corporation's four business sectors saw continued growth in their profit margins. Also, the addition of the 11 Telemedia publications early in the second quarter was key to the Corporation exceeding its target of doubling publishing sector revenues to $120 million before the end of 2000. In fact, revenues from this sector closed out the year at $179 million.

Also part of the Corporation's strategy was to replicate in Mexico the business model responsible for its success in Canada by offering seamless prepress,

printing and flyer distribution services. The acquisition of Global Promotion Group, a distributor of advertising material in Mexico, adds a core link to this integrated service line.

Finally, management is committed to shoring up Transcontinental's new information technologies service offering. In 1999, several million dollars had been invested to provide the Corporation a more solid footing in this industry. The acquisition of Ergonet and Infinet are part of this initiative, as well as $7 million in development costs which were expensed during the past year. Transcontinental's

Cash Flow Margin



strategy is to build these new communications tools into its existing line of services in order to offer customers a *total service* package.

An analysis of results for the year 2000 follows.

REVENUE GROWTH

Acquisitions and Internal Growth

Revenues increased by $250 million in 2000 to $1.799 billion, against $1.549 billion at the close of 1999. The acquisitions made at the end of 1999 and those completed during 2000 accounted for $176 million of this amount. Revenues from the new magazines purchased from Telemedia at the beginning of the second quarter accounted for more than half of this increase. The contribution of Spectra Graphics, Plesman Communications, Web Atlantic and Investment Group were also noteworthy.

Internal growth was also significant, particularly in the Printing sector, which showed an 8% increase.

Geographical Diversification

Sales outside Canada reached a new record high in 2000, at $550 million, a $103 million, or 23% improvement over last year. A portion of this growth stems from higher sales in Mexico and from Philadelphia-based Spectra Graphics, which enjoyed its first full year of operation within the Group.

Moreover, Transcontinental's exports from Canadian plants shot up $73 million to $316 million, up 30% from 1999, whereas total sales increased by 16%. Each group in the Printing sector was instrumental in achieving this increase. The Corporation attributes this rise to its improved competitiveness, its major efforts to break into the U.S. market, and the weakness of the Canadian dollar compared to its American counterpart. Revenues from outside Canada made up 31% of consolidated revenues.

Also, the acquisition of the Telemedia publications in 2000 continued to strengthen Transcontinental's presence outside Québec, its original commercial base. As a result, more than 70% of Publishing sector revenues now come from outside the province.

STRONG GROWTH IN PROFITS

Operating income before amortization increased by 20%, up from $218 million to $262 million. This healthy increase is due in part to the tangible steps taken through the productivity enhancement program, ongoing cost control improvements and the building of synergies between same-sector units or the sectors themselves. Three of the four sectors saw significant growth compared to 1999. The percentage of operating income before amortization, which was 11.5% in 1997, has continued to improve, and stood at 14.6% in 2000.

Selected Segmented Information

For the years ended October 31

(in thousands of dollars)	2000	1999	1998
Revenues			
Printing	$ 1,335,088	$ 1,182,893	$ 1,021,393
Distribution	151,471	151,691	134,706
Publishing	178,951	66,200	60,365
Technology	188,323	189,455	160,686
Other	(55,032)	(41,617)	(40,394)
Consolidated revenues	$ 1,798,801	$ 1,548,622	$ 1,336,756
Operating income			
Printing	$ 128,737	$ 104,868	$ 81,891
Distribution	17,865	8,998	15,826
Publishing	23,746	12,209	9,616
Technology	1,156	10,526	2,889
Other	(4,541)	(3,700)	(5,647)
Consolidated operating income	$ 166,963	$ 132,901	$ 104,575

This past fiscal year, amortization expense excluding amortization of goodwill totalled $95 million, compared to $85 million last year, an increase mainly due to the acquisitions made in 1999 and to the investment program of the last two years.

Consequently, operating income expanded a sizeable 26%, to cap the year at $167 million against $133 million one year earlier.

Financial and other expenses increased 21% in 2000 as a result of the Corporation's higher debt following the acquisition of the Telemedia publications and the redemption of preferred shares on November 1, 1999. It is worth noting that the redemption of the First Preferred Shares (Series C) added approximately $0.05 per common share to net income in 2000.

The Corporation's income tax rate, excluding income taxes on amortization of goodwill, is now 34.1%, down from 35.1% in 1999, following a change in the allocation of income among the operating sectors.

As a consequence of the above items, net income applicable to common share was up 35% in 2000, from $45 million last year to $61 million. This had a favourable impact on net income per share, with little change in the average number of common shares outstanding. Income per common share hit an unprecedented peak of $1.64 against $1.22 in 1999, an increase of 34%.

It should be remembered that in 1999, the Corporation recorded substantial amounts of non-recurring items due to the disposal of certain distribution assets in Ontario and the costs involved in closing Métropole Litho. These had a combined adverse effect of $0.15 per share. This past year, the cost of restructuring the Boucherville and Drummondville plants had a $0.07 negative impact on net income per share. Excluding these non-recurring items, net income per share would have been $1.71 in 2000, compared to $1.37 in 1999. Nevertheless, these were decisions that will help the Corporation continue improving its profit margins due to better use of its assets.

Subsequent to the adoption of new Canadian accounting principles, amortization of goodwill is now shown after operating income.

Moreover, goodwill is now amortized over periods not exceeding 20 years rather than 40 years. This

Printing Sector

For the years ended October 31

(in thousands of dollars, except return ratios)	2000	1999	1998
Revenues	$ 1,335,088	$ 1,182,[illegible]	$ 1,021,393
Operating income before amortization	194,098	[illegible]	130,014
Operating income	128,737	104,868	81,891
Net assets employed	671,175	656,531	[illegible]
Cash flow margin	14.5%	[illegible]	12.7%
Operating margin	9.6	[illegible]	8.0
Return on average net assets employed	17.[illegible]	[illegible]	15.8

translates into a reduction, on a recurring basis, of $6 million in the Corporation's net income over 1999.

The return on shareholders' equity increased substantially in 2000, from 11.4% in 1999 to 13.7%. The book value of the Corporation's stock grew 14% to $12.80 per share, against $11.18 one year earlier. It should be noted that the Corporation's strategic decisions, whether in terms of acquisitions, expansions, opening new plants or breaking into new markets, are driven by the goal of creating shareholder value.

REVIEW OF OPERATING SECTORS

Printing Sector

Printing sector revenues continued their upward swing, ending the year at $1.335 billion, an increase of $152 million, or 13%, over 1999. Internal growth was the main engine of this increase. The 1999 acquisitions, including Spectra Graphics and Web Atlantic, accounted for approximately one third of this growth.

There were no new acquisitions in 2000, the Corporation deciding instead to focus on the integration of its recent acquisitions and bringing the new plant in Toluca, Mexico on line. The intensifying of synergies among the Group's plants, coupled with the implementation and monitoring of various cost reduction and productivity improvement programs, also required significant focus.

To benefit its customers, Transcontinental developed a systematic approach to encouraging the broadest partnerships possible. These lead to long-term agreements or a wider array of same-customer services.

Once again this year, the growth in Printing sector revenues was substantial and the improvement in its cash flow margin significant. In fact, the cash flow margin was up 0.7% to 14.5%, close to the target of 15%. The Corporation was therefore able to free up $194 million in 2000, $31 million more than last year. In addition, operating income was ahead 23% to $129 million, compared to $105 million for the 1999 fiscal year.

Sustained restructuring efforts continued to reap benefits. The reengineering of management processes, supported by the implementation of a financial software package, was completed during the year and now covers all the Corporation's plants. The effects of synergies, such as economies of scale related to group purchases (other than raw materials), were quickly felt. Naturally, the concentration of investments in specific units has resulted in significant benefits for the Corporation today.

The following are the results of the four groups that make up the Printing sector.

Commercial Group

The Commercial group kept up its growth momentum in 2000 with revenues of $575 million, an increase of $38 million, or 7%. Year after year, the Corporation becomes less vulnerable to seasonable economic cycles.

A number of items are behind this growth, including the increase in business volume with *The Globe and Mail*, whose printing contract was extended through 2010.

At the close of 2000, Transcontinental announced that it would be merging its Drummondville and Boucherville printing operations in the Spring of 2001. Underpinning this decision was the need for the Corporation to maximize its critical mass of activities in order to boost the return on the investments needed for high-quality operations and sustained improvement in its profit margins. The results of this restructuring initiative will be felt in 2002, which is in keeping with the one-year timeline generally needed for yielding the benefits of this type of integration.

Retail Group

Retail group sales were up $39 million, solely as a result of internal growth. This 9% increase over last year pushed revenues up from $421 million to $460 million.

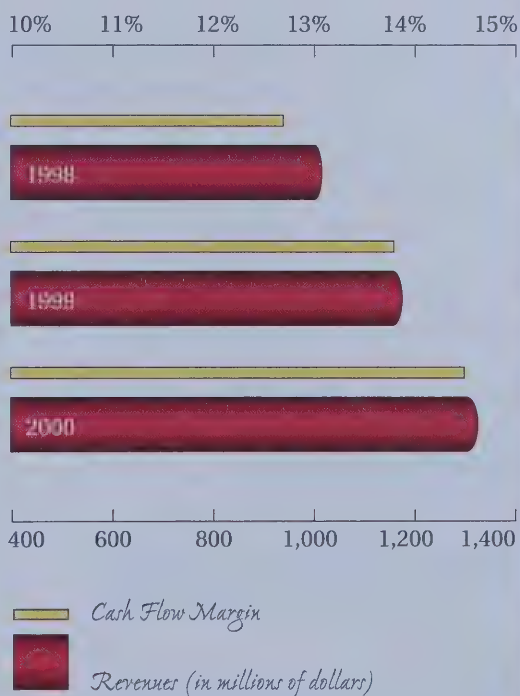
These results are testimony to the success of Transcontinental's strategy to forge closer ties with its customers. A number of food distributors and an important clothing retailer are among the Corporation's new clients or clients who have substantially increased their orders.

Value-added client services in the area of premedia, such as access to image banks or the digitalization of data for use in printed products or on the Internet, are considerable advantages that set Transcontinental apart from the competition.

The group is now fully benefiting from the closing of the Cornwall plant in 1999 and the allocation of its activities to the Saint-Hyacinthe and Brampton plants, both of which have seen significant improvements in operating margin.

In Mexico, efforts were made to improve control of the business base. Starting this year, printing activities should turn in a performance comparable to that of the printing plants in Canada. In addition, the ongoing development of a global service offering bolsters the position of Impresora Transcontinental de México as the country's leading printer of flyers.

Cash Flow Margin and Revenues
Printing Sector



Direct Marketing Group

Direct Marketing group revenues increased by 69% in 2000, following the strategic decisions taken by

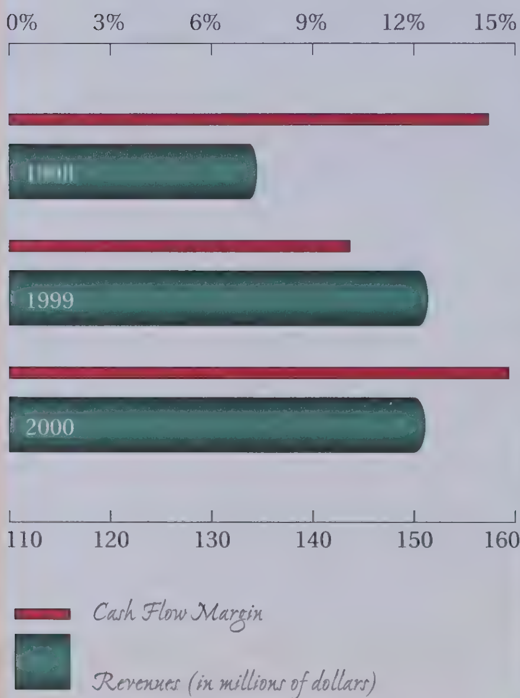
the Corporation in 1999 to accelerate the development of this business niche. The group's revenues surged from $96 million at the end of 1999 to over $160 million twelve months later, due primarily to the addition of Spectra Graphics and the development of value-added services in the Canadian plants.

Internal growth in the Canadian plants was 16%, with the expansion of the Canadian and U.S. telecommunications customer base leading the momentum for this increase. In addition, Transcontinental draws on its database management expertise and makes use of leading-edge technology to help its customers target and reach their preferred consumers.

Book Group

Internal growth was at the core of the 6%, or $8 million increase in Book group revenues, which closed out the year at $137 million. The development of new market niches spurred sales, primarily in the United States and in Ontario.

Cash Flow Margin and Revenues
Distribution Sector



The Beauceville, Québec and Peterborough, Ontario plants were expanded during the year due to the transfer of the Métropole Litho operations. The tangible effects of these measures on the Group's profitability will be felt in 2001. The streamlining of operations and the use of leading-edge technologies will be instrumental to the group making significant production gains in a niche where profit margins are already high.

Distribution Sector

For the Distribution sector, the year ended October 31 marked a return to historical profit margin levels.

Revenues stood at $152 million in 2000, identical to 1999. Cash flow margin, which had dwindled to $15 million in 1999, bounced back to $22 million, an increase of more than 46%. This performance and growth were triggered by the sale of a substantial part of the Corporation's Ontario activities in the last quarter of 1999. Furthermore, operating income reached $18 million, compared to $9 million for 1999, a substantial increase of 100%.

Both Ad-Bag and the Corporation's weeklies turned in another solid performance in Québec, which offset the $11 million sales loss that resulted from the disposal of assets in Ontario. Moreover, the Corporation launched five new publications and acquired two new weeklies distributed in the greater Montréal region, bringing the total to 50. These new titles solidify Transcontinental's place as the leading publisher of weeklies in Québec.

Some 40 of these neighbourhood or regional weeklies have created an Internet site and a number of them are already generating revenues through this medium. Hebdos Transcontinental intends to become the leader in Québec for local information on the Internet. Nonetheless, the sector advances cautiously with regards to these virtual extensions, designed primarily to offer customers a complementary service. It was also with the customer in mind that special inserts rounded out the weeklies' service offer in 2000. Their

Distribution Sector

For the years ended October 31

(in thousands of dollars, except return ratios)	2000	1999	1998
Revenues [1]	$151,471	$ 151,691	$ 134,706
Operating income before amortization	22,474	15,345	19,086
Operating income	17,865	8,998	15,826
Net assets employed	31,582	33,720	56,759
Cash flow margin	14.8%	10.1%	14.2%
Operating margin	11.8	5.9	11.7
Return on average net assets employed	45.6	13.6	24.4

[1] Excluding capitalized revenues generated in Ontario of $1.1 million in 2000, and $8.5 million in 1998.

success with readers yielded substantial revenues for the Corporation.

In Québec, an initiative undertaken at the end of 1999 to address customer needs — a second day of advertising material distribution — was standardized. The rise in costs generated by this second day of service was lower than expected as the sector was able to obtain various services in rural areas at better prices.

Publishing Sector

Fiscal 2000 really was the year of the Publishing sector, whose revenues almost tripled from $66 million to $179 million. As a result of this strong increase, the Publishing sector significantly exceeded its 1998 target of doubling revenues before the end of 2000. Powering this increase were the 1999 acquisitions of Investment Group and Plesman Communications, as well as the Telemedia magazines acquired early in the second quarter of 2000. The Telemedia transaction, the most important in the Corporation's history, makes Transcontinental the leading publisher of consumer magazines in Canada and the second largest publisher of magazines and periodicals, all categories combined.

The Publishing sector's profit margin was 15.1%. The Corporation anticipated this shrinkage, which stemmed from the acquisition of the Telemedia magazines, whose profitability had not yet been maximized by the effect of Corporate-wide synergies. Within the first few days of the acquisition of these assets, an $8 million annualized synergies program was implemented. The Publishing sector therefore delivered a cash flow margin of $27 million and had operating income of $24 million, compared to $12 million the previous year.

The 11 magazines acquired from Telemedia brought the number of Publishing sector publications to 53 and the number of copies of total annual runs to more than 100 million. Transcontinental made a notable entrance into new niches such as women's interests, entertainment titles and weekly television guides.

The Corporation's development strategy is to target niches such as women's interests, business and personal finance, television and entertainment, new technologies and sports. An explosion in the value of content and the development of distribution platforms characterize the current environment of media convergence. Last November, the Corporation announced that it had forged a strategic alliance with *The Globe and Mail* that will make the lesaffaires.com site the benchmark Francophone portal in Canada for personal finance and investment information.

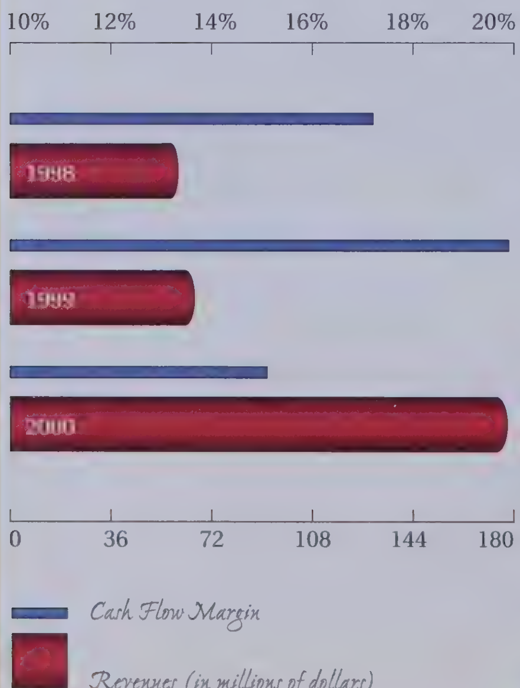
Publishing Sector

For the years ended October 31

(in thousands of dollars, except return ratios)	2000	1999	1998
Revenues	$178,951	$66,200	$60,365
Operating income before amortization	27,101	13,203	10,358
Operating income	23,746	12,209	9,616
Net assets employed	210,939	39,980	22,917
Cash flow margin	15.1%	19.9%	17.2%
Operating margin	13.3	18.4	15.9
Return on average net assets employed	10.8	34.0	40.3

Another example of the optimization of the Corporation publications' content, reputation, resources and brands is the premier hockey publication, *The Hockey News*, becoming the exclusive content provider for the National Hockey League portal nhl.com.

Cash Flow Margin and Revenues Publishing Sector



Transcontinental also announced that it will be launching, in the Spring of 2001, *Elle Canada*, the national sister magazine of *Elle Québec*, in partnership with Hachette Filipacchi, the publisher of *Elle* magazine worldwide. The excellent reputation of the prestigious *Elle* name, synonymous with fashion and beauty, the synergy with *Elle Québec* and the pan-Canadian offer to advertisers will ensure the prompt success of this new publication.

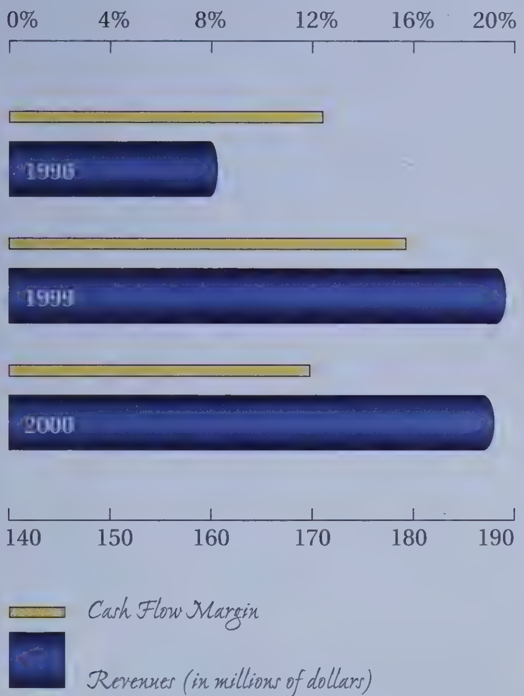
Launched this past year, *Finance et Investissement*, the latest in the Corporation's family of publications, became profitable even before the end of its inaugural year. This is an exceptional performance when measured against the usual benchmarks of the publishing industry. This monthly publication drew largely on the expertise of *Investment Executive*, acquired in 1999.

Technology Sector

Technology sector revenues slipped $1 million, from $189 million to $188 million. Operating income before amortization fell from $30 million to $22 million and operating income was $1 million, compared to $10 million in 1999.

These results are explained in part by the drop in revenues from Americ Disc, which suffered the backlash of a difficult environment marked by price hikes for raw materials and weak average unit selling

Cash Flow Margin and Revenues
Technology Sector



prices due to excess capacity in the industry worldwide. Together, these factors stalled the financial rightsizing undertaken by this subsidiary in 1999.

The results of this sector were also affected by the costs related to the launch of the on-line version of Ad-Bag (publisac.ca) and by the injection of funds to create new electronic media. The $6 million development cost injected into this sector was charged as operating expenses.

However, fiscal 2000 saw Transcontinental add major assets to its strategic plan of positioning the Corporation as an integrated new information technologies services provider through the acquisitions of Ergonet and Infinet Communications. These recent acquisition complement Marcotte Multimédia, a member of the Transcontinental Group since 1999.

The Corporation is focusing on deploying its on-line services in conjunction with its more traditional product lines. Also, its call centre subsidiary, Sodema, has entered into a Web-based telephone assistance agreement with a major Internet service provider.

LIQUIDITIES AND CAPITAL STRUCTURE

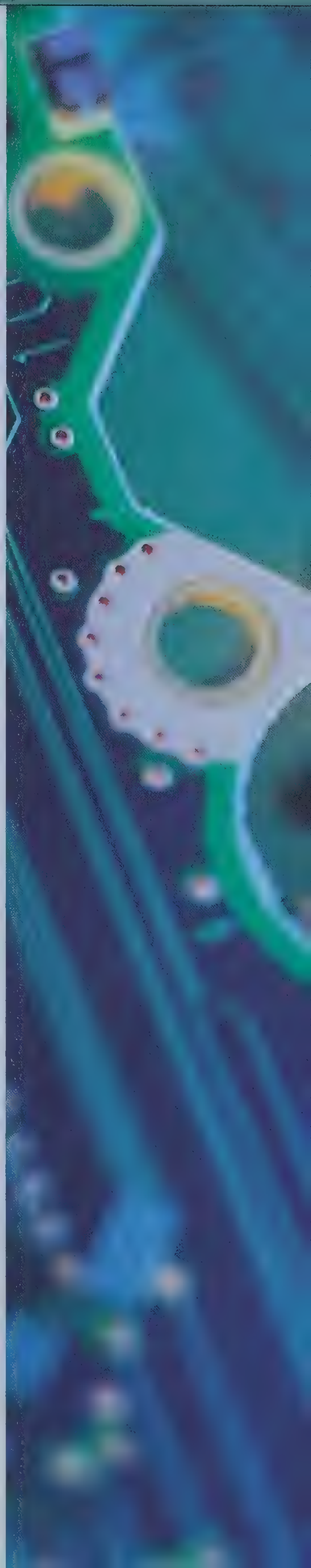
In 2000, the Corporation's activities continued to generate substantial cash resources. At $184 million, cash flow from operations increased at a pace consistent with the growth in operating income before amortization, or 20%. These results translated into $4.96 per common share, compared to $4.06 in 1999. These cash resources were sufficient to enable the Corporation to purchase capital assets ($113 million), redeem its first preferred shares ($40 million) and pay out common share dividends ($7 million). Capital expenditures were up slightly in 2000, to $113 million, with approximately $40 million of this amount earmarked for maintaining production capacity at its current level. The balance was used to increase productivity across the network.

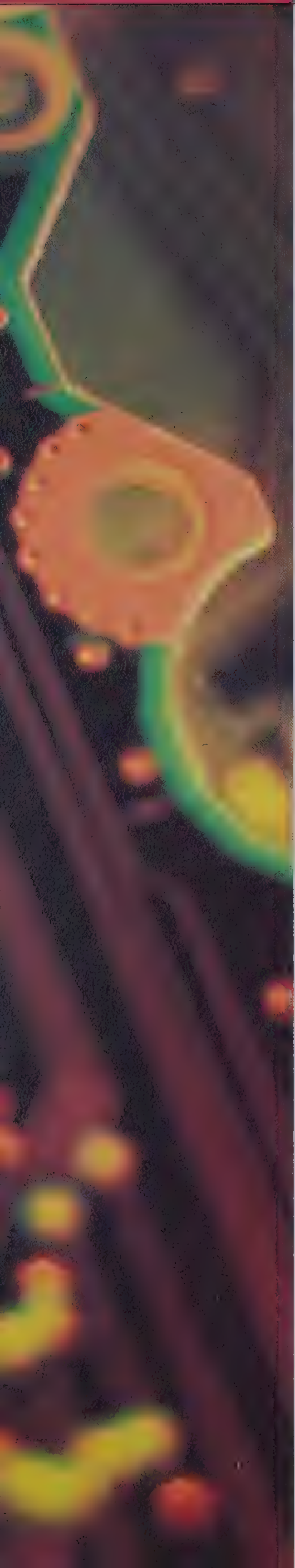
Of course, the business acquisition program increased the Corporation's debt load. Cash used for these investments amounted to $152 million, the bulk of which went towards the acquisition of the Telemedia publications.

Transcontinental's net indebtedness increased to approximately $465 million, representing a debt/equity ratio of 0.97:1. This is comparable to the pro-forma ratio of 0.81 indicated in the 1999 Annual Report, which reflected the redemption of the first preferred shares, completed on November 1, 1999.

This higher indebtedness does not materially impair the future growth of the Corporation. The aggregate payments under the commitments of the Corporation and its subsidiaries do not constitute, in the near or medium term, a significant cash outflow.

Even following a major acquisition, management feels confident with the reasonable increase in the debt/equity ratio. The current ratio, hovering around 1:1, is in line with the past financial thresholds set by Transcontinental Group.





During the year, the Corporation was able to refinance its long-term credit agreements. It now has $460 million of long-term credit facilities available to it, $138 million of which was drawn at year-end. The Corporation and its subsidiaries also have nearly $110 million of operating lines of credit. Its ability to generate operating cash flows, combined with its available credit, affords the Corporation significant latitude and the requisite flexibility to capitalize on any future business opportunities.

Moreover, Transcontinental Group contemplated a new issue of Class A subordinate voting shares early in the fall of 2000. The issue, however, was withdrawn because management considered that it was not in the best interest of shareholders due to the unfavourable stock market conditions at the time.

Finally, working capital deficiency, at $61 million, must be viewed in parallel with the accounts receivable securitization program. This program is just one of the ways in which the Corporation finances its working capital needs, and, as of October 31, 2000, the program amounted to $151 million, a relatively stable amount when compared to 1999.

DIVIDENDS

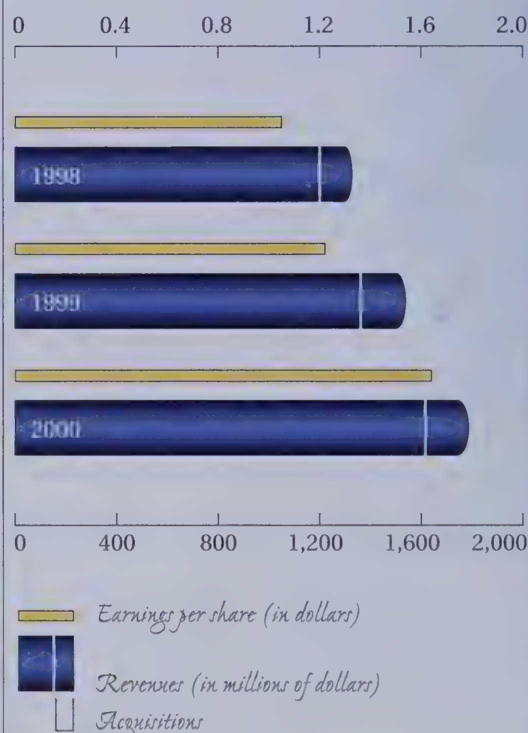
In 2000, Transcontinental's shareholders benefited from a larger dividend on Class A and B subordinate common voting shares. The quarterly dividend payout was up 25% as of the first quarter of the fiscal year. It is now $0.05 per share, against $0.04 previously. Management believes it equitable to increase its profit distribution to shareholders, given the Corporation's improved profitability and its ongoing capacity to generate cash resources.

FISCAL 1999 OPERATING RESULTS COMPARED TO 1998

A review of fiscal 1999 results compared to those of 1998 will provide insight into Transcontinental Group's performance in 2000.

The year ended October 31, 1999 saw a return to profitability of Americ Disc, allowing for a profitable performance by the Corporation's four business sectors. The Printing sector had focused its expansion on the Direct Marketing group in the United States with the acquisition of Spectra Graphics. In Canada, it bought Web Atlantic, a commercial printer in Halifax. In the Publishing sector, the acquisition of Plesman Communications and Investment Group, of Toronto, allowed Transcontinental to become the largest publisher of business and personal finance publications in Canada. And, in an effort to improve its future profit margins, Transcontinental offloaded a portion of its distribution market in Ontario, incurring a $5 million loss presented as an unusual item.

Earnings per Share and Revenues



The Corporation had also succeeded in honouring its commitment to grow its revenues and profits by at least 15% annually. It had reported revenues of $1.549 billion, up 16% or $212 million over 1998; more than half of this growth stemmed from acquisitions made during 1998. The rise in export

Technology Sector

For the years ended October 31

(in thousands of dollars, except return ratios)	2000	1999	1998
Revenues	$ 188,323	$ 189,455	$ 160,686
Operating income before amortization	22,356	29,747	19,854
Operating income	1,156	10,526	2,889
Net assets employed	145,684	158,545	158,351
Cash flow margin	11.9%	15.7%	12.4%
Operating margin	0.6	5.6	1.8
Return on average net assets employed	(0.9)	5.1	0.4

sales was also noteworthy: $447 million, an increase of 22%, generated by its plants outside Canada and through shipments from its Canadian plants to the U.S. This situation helped improve the geographical balance of revenue sources.

At $218 million, operating income before amortization was up 24% over 1998, allowing Transcontinental to close in on the top performers in its industry. Operating income before amortization edged up from 12.7% to 13.8% in the Printing sector and verged on 20% in the Publishing sector, an increase of 2.7%. Only the Distribution sector saw its operating income before amortization decline.

Amortization expense, excluding amortization of goodwill, was up from $71 million in 1998, to $85 million, due to the higher level of capital expenditures and the cost of new acquisitions.

Operating income jumped 27% to $133 million.

Financial and other expenses were also 21% higher, reflecting interest costs on the loans contracted for the new acquisitions, and the unfavourable impact of the weak Canadian dollar on Transcontinental's business. The Corporation's income tax rate inched up, from 34.6% to 35.1%, as a result of the change in allocation of income among its operating sectors.

Net income in 1999 climbed 15% to $49 million, which represented $1.22 per common share, a noticeable improvement over the $1.05 recorded in 1998. Excluding non-recurring expenses, net earnings per share would have been $1.37, compared to $1.12 in 1998.

FISCAL 1998 OPERATING RESULTS COMPARED TO 1997

A round of acquisitions, 11 in all, marked the fiscal year ended October 31, 1998, among which were Groupe Interweb, LGM Group, Refosa and *Hockey Business News*. Revenues grew 19%, to $1.337 billion, compared to $1.124 billion in 1997.

This increase was due not only to the contributions from the acquisitions in 1997 and 1998, but also to the strong internal growth in two of the Corporation's four operating sectors—Printing and Distribution. The Printing sector alone posted revenues in excess of $1 billion, mainly driven by a 73% increase in its exports.

Operating income before amortization increased 25% in 1998 to $176 million and operating income climbed 29%, from $81 million to $105 million. Noteworthy is the fact that the growth in profit margins far outstripped the past averages in all sectors but Technology.

Moreover, amortization expense, excluding amortization of goodwill, amounted to $71 million, up from $59 million in 1997. The key capital expenditures program, which began some years earlier, and the acquisitions completed in 1998, contributed to this increase.

To finance its acquisition program, the Corporation, among other things, issued $100 million of debentures and increased the outstanding amount of its receivables securitization program. As a result, financial expenses were $12 million higher than in 1997.

Net income increased 21% from the corresponding period one year earlier to $42 million or $1.05 per share against $0.91 in 1997.

RISKS AND UNCERTAINTIES

Each year, the Corporation attempts to mitigate the risks or uncertainties that could cause a slowdown in its business and particular situations in its operating sectors or cash flows.

Concern over mitigating risks and uncertainties is the main thrust behind the decisions taken by management with regards to acquisitions, disposal of assets, plant mergers or efforts to create synergy among its sectors or divisions. It also guides decisions regarding cost-reduction measures, product diversification, new market penetration and certain cash flows.

None of the Corporation's customers account for more than 10% of its business volume. An analysis of the Printing sector's revenue sources shows that Transcontinental's 20 principal customers account for less than 30% of its revenues. Since the Printing sector brings in close to 75% of the Corporation's total revenues, it is easy to understand why the loss of an account, even a major one, would not significantly impact Transcontinental's annual revenues. Moreover, due to the increase in its commercial printing, direct marketing and publishing activities, Transcontinental is now more stable and less vulnerable to cyclical changes. The Retail Group signed agreements for three years or longer with 80% of its 20 key clients.

Every year, Transcontinental becomes less vulnerable to consolidation or a significant decline in retail sales. In fact, the proportion of revenues related to this segment decreased in 2000 from 1999 and now accounts for only 25% of the Corporation's revenues. There is now a better geographical allocation of these revenues across North America, notably due to the Corporation's growing presence in Mexico. In fact, customers outside Canada accounted for 31% of Corporate-wide revenues in 2000, a proportion that continues its upward trend. That being said, a recession in North America would certainly affect the Corporation's growth.

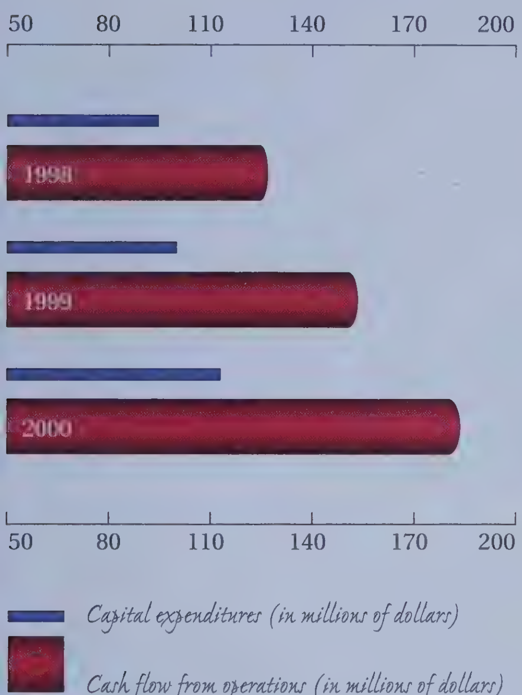
For now, the emergence of new media and the growing reliance on electronic communication tools

Revenue Breakdown

By Printing Sector Group

(in thousands of dollars)	2000	1999	1998
Commercial Group	$ 575,239	$ 537,206	$ 411,805
Retail Group	460,110	420,721	387,933
Direct Marketing Group	162,951	96,213	98,921
Book Group	136,788	128,753	122,734
	$ 1,335,088	$1,182,893	$1,021,393

Capital Expenditures and Cash Flow from Operations



have not adversely affected the Corporation's printing business and nothing points to a change in this trend in the near future. Indeed, in most of its activities, the Corporation has been advantaged. Transcontinental is looking to these new markets to extend and enrich its services. In fact, the complementarity between traditional and new information technologies is the foundation for Transcontinental's Internet positioning.

The updating of the Group's development strategy, coupled with the fact that Americ Disc no longer figures in its broad direction, led management to contemplate various scenarios regarding this subsidiary.

During fiscal 2000, management increased its variable rate debt, although it still falls within the limits set by the Corporation. The relative stability of interest rates reassured management in this decision.

The Corporation generally anticipates long-term supply agreements with its most important raw material suppliers to ensure a stable flow of these resources. In addition, the contracts signed with the printing sector customers contain escalation clauses indexing prices to changes in the financial index of raw materials.

The low Canadian dollar, pegged against the U.S. currency, was instrumental in Transcontinental's growth in exports south of the border. To hedge against a firming of the Canadian dollar, the Corporation intends to continue increasing the productivity of its sectors, streamlining its operations and keeping its currency-hedging program active. This program uses derivatives to protect the Corporation from the risk of short-term currency fluctuations. It is also designed to match cash inflows and outflows in the same currency. In Mexico, a plan of action is being drafted to more vigorously safeguard the Corporation's investments. The democratic presidential election in 2000 improved the political landscape in Mexico, which can only bring the promise of greater economic stability.

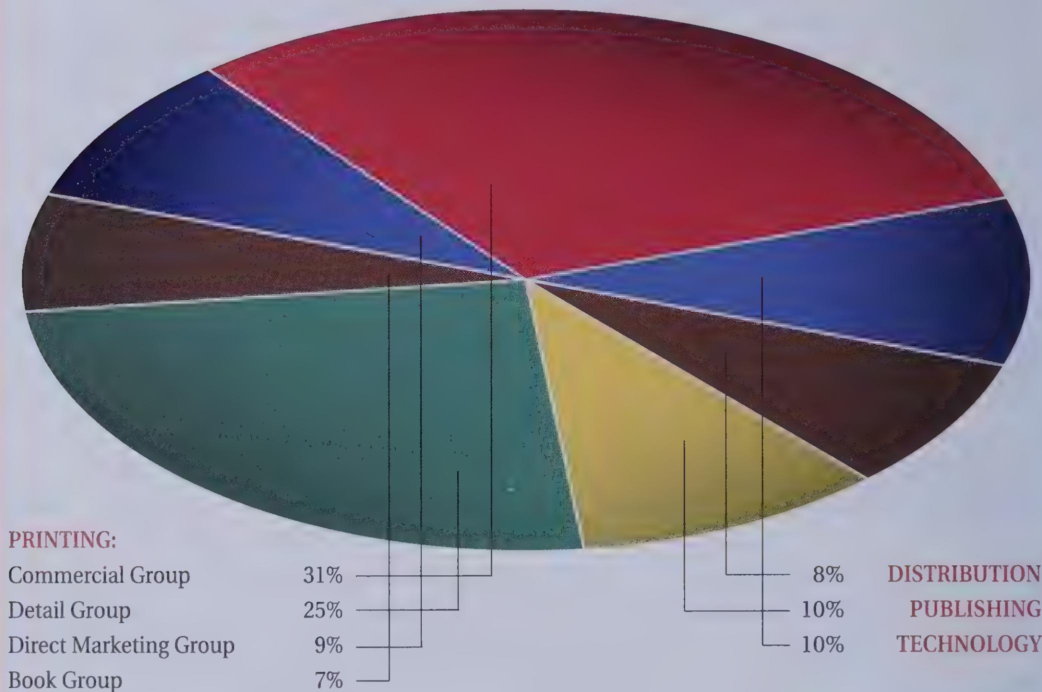
The detailed analysis of the risks to which the Corporation is exposed continued in 2000. For the 2001 fiscal year, all the controls and precautionary actions will be matched to key operating risks.

OUTLOOK AND PRIORITIES IN 2001

Transcontinental Group finished off fiscal 2000 with a 23rd consecutive quarter of income growth, excluding unusual items. Its balance sheet continues to be strong, despite a slightly larger debt load resulting primarily from the acquisition of the publications from Telemedia. The financial flexibility that comes from its available credit facilities and the liquidities generated through operations allow the Corporation to contemplate new acquisitions. Capital expenditures should remain on par with this past year.

Throughout 2000, the Corporation completed an important step in its strategic plan by repositioning its activities into three sectors: Printing, Media and Interactive Marketing. In 2001, Transcontinental will capitalize on the service lines of each of these sectors and cross-synergies. In addition to taking advantage of new media business opportunities, the

Revenues by Product



Corporation will also be able to continue improving its operating margins.

In the Printing sector, the focus will be on seizing possible business opportunities in niches in which the Corporation can establish itself as a leader. Management is not ruling out the possibility of eventually investing in countries where it is not currently present. With regards to internal investments, the Printing sector will target the expansion of information digitalization in order to remain at the forefront of this market, both in terms of equipment and application software. These new technologies will enhance customer service, trim production costs and generate additional revenue sources.

In the Media sector, management will concentrate on the prestige of the Transcontinental name to develop portals in promising Internet niches such as information for women, the economy and personal finance. These investments will yield positive results for print media. Furthermore, the posting of weekly magazine and newspaper content on multiple platforms, such as the Internet and specialty TV channels, will be intensified.

Lastly, the recently created Interactive Marketing sector will integrate its various entities in order to maximize synergies, offer a full range of personalized services and take advantage of opportunities in the market.

The Corporation holds firm on its primary commitment to create added value for its shareholders. Each decision by management is weighed with this objective in mind. Barring a slowdown in the North American economy, the financial outlook for the coming year looks positive for Transcontinental's three operating sectors. Management is confident that it will once again deliver shareholder value.

On behalf of management,

Daniel Denault
Vice President
and Chief Financial Officer

Management's Responsibility

for consolidated financial statements

The accompanying consolidated financial statements of G.T.C. Transcontinental Group Ltd. and all information included in the annual report are the responsibility of management and have been approved by the Board of Directors of the Corporation. The financial statements include some amounts that are based on management's best estimates using careful judgment.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial and operating data appearing elsewhere in the annual report are consistent with the information contained in the financial statements.

In fulfilling their responsibilities management of G.T.C. Transcontinental Group Ltd. and its subsidiaries develop and aim to improve accounting and management systems designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that the financial records are reliable for preparing the financial statements.

The Board of Directors of the Corporation carries out its responsibility for the financial statements in this annual report principally through its Audit Committee. The Audit Committee meets periodically with management and the external auditors to discuss the results of the audit, internal controls and financial reporting matters. The external auditors appointed by the shareholders have unrestricted access to the Audit Committee, with and without the presence of management.

The financial statements have been audited by Samson Bélair/Deloitte & Touche, Chartered Accountants, and their report follows.

Rémi Marcoux
Chairman of the Board
and Chief Executive Officer

Daniel Denault
Vice President
and Chief Financial Officer

Auditors' Report

to the shareholders of G.T.C. Transcontinental Group Ltd.

We have audited the consolidated balance sheets of G.T.C. Transcontinental Group Ltd. as at October 31, 2000 and 1999 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three-year period ended October 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted Canadian auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at October 31, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 2000 in accordance with generally accepted Canadian accounting principles.

Samson Bélair
Deloitte & Touche

Chartered Accountants
Montréal, December 1st, 2000

Consolidated Statements of Income

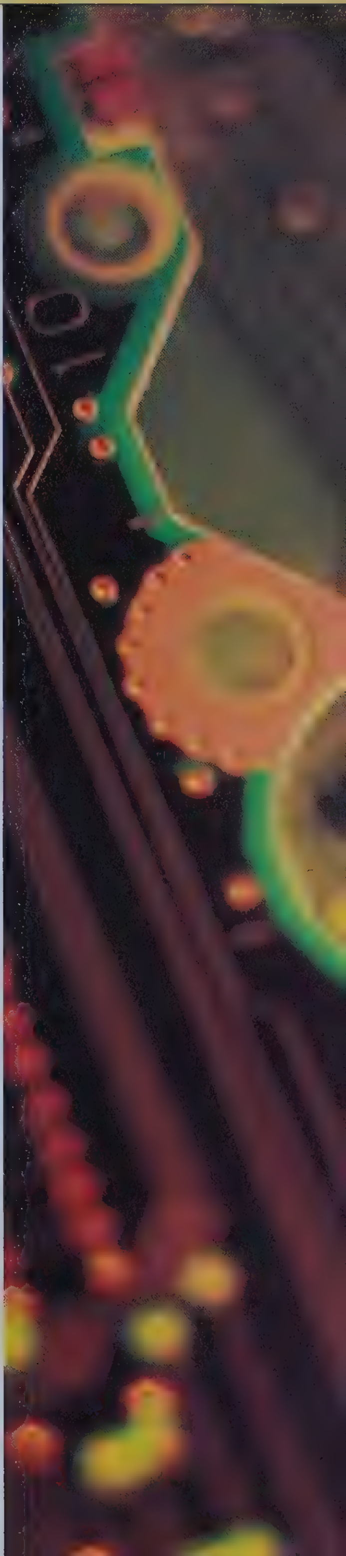
For the years ended October 31

(in thousands of dollars, except per share data)	Notes	2000	1999	1998
Revenues		$ 1,798,801	$1,548,622	$1,336,756
Operating costs		1,536,837	1,330,310	1,161,113
Operating income before amortization		261,964	218,312	175,643
Amortization	4,6	95,001	85,411	71,068
Operating income		166,963	132,901	104,575
Financial expenses	10	30,928	25,304	20,386
Other expenses	2	9,041	7,836	6,894
Share of losses of affiliated companies		1,097	—	—
Unusual item	16	—	4,700	—
Income before income taxes, amortization of goodwill and non-controlling interest		125,897	95,061	77,295
Income taxes	12	42,907	33,397	26,706
Income before amortization of goodwill and non-controlling interest		82,990	61,664	50,589
Amortization of goodwill, net of income taxes	5	24,458	10,982	8,238
Non-controlling interest		(2,546)	2,072	247
Net income		61,078	48,610	42,104
Dividends on preferred shares		—	3,200	3,200
Net income applicable to common shares		61,078	45,410	38,904
Per common share				
Net income before amortization of goodwill, net of income taxes		$ 2.30	$ 1.52	$ 1.27
Net income		1.64	1.22	1.05
Average number of common shares outstanding (000's)		37,158	37,181	36,998

Consolidated Statements of Retained Earnings

For the years ended October 31

(in thousands of dollars)	2000	1999	1998
Beginning of year	$ 192,876	$ 155,962	$ 126,665
Net income	61,078	48,610	42,104
	253,954	204,572	168,769
Premium on redemption of common shares	1,459	2,548	3,648
Dividends on preferred shares	—	3,200	3,200
Dividends on common shares	7,451	5,948	5,959
End of year	$ 245,044	$ 192,876	$ 155,962



Consolidated Balance Sheets

As at October 31

(in thousands of dollars)	Notes	2000	1999
Current assets			
Cash		$ 3,190	$ 48,459
Accounts receivable	2	236,200	184,093
Inventories	3	121,664	79,198
Prepaid expenses		13,019	11,088
		374,073	322,838
Capital assets	4	614,033	581,494
Goodwill	5	484,372	334,065
Future tax assets	12	6,365	—
Other assets	6	23,074	25,405
		$ 1,501,917	$ 1,263,802
Current liabilities			
Accounts payable and accrued liabilities		$ 389,362	$ 325,127
Deferred subscription revenues		29,593	10,089
Current portion of long-term debt	8	15,903	21,899
		434,858	357,115
Long-term debt	8	451,937	322,034
Future tax liabilities	12	69,330	61,668
Other liabilities		8,032	8,931
		964,157	749,748
Non-controlling interest		60,461	59,424
Shareholders' equity			
Capital stock	9	222,168	257,324
Foreign currency translation adjustment		10,087	4,430
Retained earnings		245,044	192,876
		477,299	454,630
		$ 1,501,917	$ 1,263,802

Approved by the Board of Directors,

Rémi Marcoux,
Director

Pierre Brunet,
Director

Consolidated Statements of Cash Flows

For the years ended October 31

(in thousands of dollars)	Notes	2000	1999	1998
Net inflow (outflow) of cash related to the following activities:				
Operating				
Net income		$ 61,078	$ 48,610	$ 42,104
Items not affecting cash				
Amortization		123,745	98,087	80,967
Loss (gain) on disposal of assets		133	7,408	(855)
Share of losses of affiliated companies		1,097	—	—
Future income taxes	12	824	(2,191)	4,840
Non-controlling interest		(2,546)	2,072	247
Cash flow from operations		184,331	153,986	127,303
Changes in non-cash operating working capital items	14	(35,758)	17,088	(44)
Cash provided by operations		148,573	171,074	127,259
Investing				
Business acquisitions	15	(151,775)	(104,713)	(137,094)
Business disposal	16	—	9,943	—
Acquisition of capital assets		(112,755)	(99,856)	(94,465)
Disposal of capital assets		2,500	4,479	1,675
Deferred charges		(495)	(1,458)	(9,456)
Other		(1,277)	2,252	(5,023)
Cash used in investing activities		(263,802)	(189,353)	(244,363)
Financing				
Increase in long-term debt		237,099	109,366	128,671
Repayment of long-term debt		(119,904)	(61,945)	(42,585)
Contribution by non-controlling interest		2,130	—	8,751
Premium on redemption of common shares		(1,459)	(2,548)	(3,648)
Dividends on preferred shares		—	(3,200)	(3,200)
Dividends on common shares		(7,451)	(5,948)	(5,959)
(Redemption) issuance of common shares, for cash, net		(256)	(1,142)	18,194
Redemption of preferred shares, for cash	9	(40,000)	—	—
Other		(77)	3,651	324
Cash provided by financing activities		70,082	38,234	100,548
Effect of exchange rate changes on foreign cash		(122)	(1,386)	1,666
(Decrease) increase in cash position		(45,269)	18,569	(14,890)
Cash position at beginning of year		48,459	29,890	44,780
Cash position at end of year		$ 3,190	$ 48,459	$ 29,890
Interest paid		$ 36,381	$ 19,811	$ 14,821
Income taxes paid		29,137	26,701	19,437

(tabular amounts are expressed in thousands of dollars, except per share data)

1. Significant accounting policies

a) Consolidation principle

The consolidated financial statements include the accounts of the Corporation and those of its subsidiaries. Business acquisitions are accounted for under the purchase method and the results of operations of these businesses are included in the consolidated financial statements from the acquisition date of the investments. Investments in joint ventures are accounted for under the proportionate consolidation method. Investments in shares of affiliated companies, over which the Corporation has significant influence, are accounted for by the equity method. Investments in other businesses are recorded at cost.

b) Income taxes

On November 1, 1999, the Corporation applied the new recommendations of Handbook Section 3465, Income taxes, of the Canadian Institute of Chartered Accountants (CICA), replacing the deferral method by the asset and liability method for the accounting of income taxes. The effect of applying these new recommendations on the current year's and prior years' financial statement is not material.

Under the asset and liability method, future tax assets and liabilities are determined based on the differences between the carrying amounts and tax basis of assets and liabilities, and are measured using enacted tax rates and laws in effect as at the date of the financial statements. Future tax assets are accounted for only if management believes it is more likely than not that they will be realized.

c) Inventories

Raw materials, work in progress and finished goods are valued at the lower of cost and replacement value or net realizable value. Cost is determined under the first in, first out method.

d) Capital assets

Capital assets are stated at cost and amortized under the straight-line method over their estimated useful lives, as follows:

Buildings	20 - 40 years
Machinery and equipment	5 - 15 years
Other equipment	3 - 5 years

e) Goodwill

Goodwill is stated at cost and amortized under the straight-line method over periods not exceeding 20 years. The Corporation regularly tests the value of the goodwill to determine if the unamortized portion has sustained a permanent impairment in value. The method used to determine whether there has been a permanent impairment in value is based upon expected operating results or estimated fair market value of the business unit.

On November 1, 1999, the Corporation revised the maximum amortization period for its goodwill from 40 years to 20 years. The impact on current year results is a reduction in net income of $5.6 million, and the change is applied prospectively.

f) Deferred charges

Deferred charges are stated at cost less accumulated amortization. These charges are amortized on a straight-line basis over a five-year period.

g) Deferred subscription revenues

Subscription revenues of the various publications of the publishing sector are deferred and included in income according to their subscription periods.

(tabular amounts are expressed in thousands of dollars, except per share data)

1. Significant accounting policies (continued)

h) Foreign currency translation

The foreign subsidiaries are considered self-sustaining foreign corporations and the current rate method is used to translate their financial statements into Canadian dollars. The resulting translation adjustments, after taking into account related hedging transactions, are reported under a separate heading of shareholders' equity and recognized in income only when a reduction of the investment in these foreign subsidiaries has been realized. The unrealized gain or loss resulting from the conversion of long-term liabilities has been deferred and is amortized under the straight-line method over the remaining life of the item.

i) Financial instruments

The Corporation identifies, assesses and manages financial risks related to fluctuations in interest and exchange rates in order to minimize their impact on the statement of income and the balance sheet. The Corporation manages its financial risks with a view to hedging its net positions according to parameters defined and approved by the Board of Directors and does not engage in purely speculative transactions. If the Corporation did not use financial instruments, it would have a greater exposure to market volatility.

The accounting policies used for the financial instruments are as follows:

Foreign exchange forwards
- Gains and losses on foreign exchange forwards used to hedge certain cash flows against the risk of fluctuation are deferred and charged to income as adjustments to the hedged position at the time the transaction is recorded.

Swaps
- Interest rate variances resulting from the use of interest rate swaps are recorded as adjustments to financial expenses.

2. Accounts receivable

Under a five-year agreement concluded on October 22, 1996, the Corporation and some of its subsidiaries have entered into programs to sell accounts receivable on a revolving basis with limited recourse. During the year, accounts receivable were sold for net proceeds of $150.7 million ($158.8 million in 1999). Under the agreement, the purchaser will use the collection proceeds to purchase other accounts receivable of the Corporation and its subsidiaries. The agreement may be terminated by either party at any time.

The discount on the sale of accounts receivable is now recorded under "Other expenses" in the statement of income.

3. Inventories

	2000	1999
Raw materials	**$ 65,630**	$ 49,637
Work in progress and finished goods	**56,034**	29,561
	$ 121,664	$ 79,198

(tabular amounts are expressed in thousands of dollars, except per share data)

4. Capital assets

2000	Cost	Accumulated amortization	Net book value
Land and buildings	**$ 181,835**	**$ 45,125**	**$ 136,710**
Machinery and equipment	**904,981**	**481,114**	**423,867**
Other equipment	**156,882**	**103,426**	**53,456**
	$ 1,243,698	**$ 629,665**	**$ 614,033**

1999	Cost	Accumulated amortization	Net book value
Land and buildings	$ 171,168	$ 39,978	$ 131,190
Machinery and equipment	820,850	416,768	404,082
Other equipment	112,084	65,862	46,222
	$ 1,104,102	$ 522,608	$ 581,494

Amortization of capital assets amounted to $91,700,000 in 2000 ($80,990,000 in 1999; $67,428,000 in 1998).

5. Goodwill

2000	Cost	Accumulated amortization	Net book value
Goodwill	**$ 559,992**	**$ 75,620**	**$ 484,372**

1999	Cost	Accumulated amortization	Net book value
Goodwill	$ 392,271	$ 58,206	$ 334,065

Amortization of goodwill amounted to $28,744,00 in 2000 ($12,676,000 in 1999; $9,899,000 in 1998). Related income taxes amounted to $4,286,000 in 2000 ($1,694,000 in 1999; $1,661,000 in 1998).

6. Other assets

	2000	1999
Investments	**$ 6,989**	$ 7,540
Deferred charges	**4,390**	7,629
Issuance costs	**3,343**	2,378
Unamortized exchange loss on long-term debt	**2,484**	2,038
Other	**5,868**	5,820
	$ 23,074	$ 25,405

Amortization of other assets amounted to $3,301,000 in 2000 ($4,421,000 in 1999; $3,640,000 in 1998).

(tabular amounts are expressed in thousands of dollars, except per share data)

7. Operating lines of credit

Lenders of the Corporation and its subsidiaries are unsecured and rank equally, except for a subsidiary whose facilities are secured. As at October 31, 2000, available unsecured operating lines of credit of the Corporation and its subsidiaries, amounted to $103 million, of which $21 million were used. Authorized secured operating lines of credit of a subsidiary of the Corporation amounted to approximately $6 million and were totally used. These operating lines of credit generally bear interest at the prime rate. These lines of credit are reviewed periodically and do not require commitment fees.

8. Long-term debt

	Interest rate		Maturity		
	2000	1999		**2000**	1999
Corporation					
Unsecured Senior Debentures					
Series B	**—%**	12.20 %	2000	**$ —**	$ 5,833
Series C	**9.50 %**	9.50 %	2008	**36,365**	40,910
Series I	**6.05 %**	6.05 %	2009	**100,000**	100,000
Other	**6.20 %**	6.20 %	2007	**100,000**	100,000
Other					
Revolving term credit facility (US$48,000 and C$65,000)	**B.A.[1] or LIBOR+0.63 %**	—%	2005	**138,344**	—
Note payable	**—%**	5.50 %	2000	**—**	1,373
Subsidiaries of the Corporation					
Revolving term credit facility (US$36,000 and C$7,000; US$31,000 and C$9,000 in 1999)	**8.00 %[2]**	6.70 %[2]	2004	**62,008**	54,610
Declining term credit facility	**—%**	LIBOR+0.80 %	2000	**—**	6,278
Secured loans	**6.25 % to 14.00 %**	6.25 % to 14.00 %	2005	**24,196**	25,594
Unsecured loans	**0.00 % to 10.00 %**	0.00 % to 10.00 %	2009	**3,768**	4,371
Capital leases	**4.25 % to 11.25 %**	4.25 % to 11.25 %	2003	**2,884**	4,607
Other loans [3]	**0.00 % to 7.50 %**	p+1.50 % to 1.75 %	2005	**275**	357
Total long-term debt				**467,840**	343,933
Current portion				**15,903**	21,899
				$ 451,937	$ 322,034

(1) B.A. : Bankers' Acceptance.

(2) Average rate as at October 31.

(3) p : prime rate.

The Unsecured Senior Debentures, issued in series, are redeemable at the higher of par value and the Canadian bond yield price. The Unsecured Senior Debenture, Series C, has an annual sinking fund of 9.09%.

During the year 2000, the Corporation concluded a new credit agreement with a syndicate of financial institutions. As at October 31, 2000, according to this agreement, the Corporation had committed revolving term credit facilities amounting to $325 million or the U.S. dollar equivalent and US$90 million. The new facilities replaced the revolving term credit facilities totalling $150 million and $25 million or the U.S. dollar equivalent that the Corporation previously had. As at October 31, 2000, a subsidiary of the Corporation had an agreement with financial institutions for a committed revolving term credit facility totalling US$50 million or the Canadian dollar equivalent.

(tabular amounts are expressed in thousands of dollars, except per share data)

8. Long-term debt (continued)

The interest rates on these revolving term credit facilities are based, at the option of the Corporation and its subsidiaries, on bankers' acceptances, bank prime rates or the London Interbank Offered Rate (LIBOR).

Under interest rate swaps, a subsidiary of the Corporation receives a variable interest rate on a portion of the debt in the amounts of US$5 million and C$5 million and must pay interest at fixed rates of 6.63% and 5.38%, based on the maturity dates, for debts in U.S. and Canadian currency respectively. The term of each interest rate swap is identical to that of the item hedged, and varies from six months to thirteen months.

Principal payments required by the Corporation and its subsidiaries in the following years are as follows:

2001	2002	2003	2004	2005	2006 and thereafter
$15,903	$23,549	$30,132	$29,506	$154,508	$214,242

9. Capital stock

Authorized (unlimited number)

Class A Subordinate Voting Shares:	subordinate voting shares carrying one vote per share, no par value;
Class B Shares:	participating voting shares carrying 20 votes per share, convertible into Class A Subordinate Voting Shares, no par value;
Preferred Shares:	first and second preferred shares, issuable in series in numbers limited by the Articles of Incorporation, carrying no voting rights except as provided by law or in the Corporation's Articles of Incorporation, entitling the holder to cumulative dividends.

	2000		1999	
	Number of shares	Amount	Number of shares	Amount
Issued and paid				
Class A Subordinate Voting Shares	**23,731,703**	**$ 185,216**	23,370,853	$ 179,978
Class B Shares	**13,555,313**	**36,952**	13,699,852	37,346
	37,287,016	**222,168**	37,070,705	217,324
First Preferred Shares, Series C	—	—	1,600,000	40,000
		$ 222,168		$ 257,324

(tabular amounts are expressed in thousands of dollars, except per share data)

9. Capital stock (continued)

Class A Subordinate Voting Shares and Class B Shares

During fiscal years 2000 and 1999, the common shares of the Corporation changed as follows:

	2000		1999	
	Number of shares	Amount	Number of shares	Amount
Class A Subordinate Voting Shares				
Balance, beginning of year	**23,370,853**	**$ 179,978**	23,461,496	$ 180,750
Conversion of Class B Shares into Class A Subordinate Voting Shares	**78,139**	**213**	16,152	44
Share redemptions	**(41,700)**	**(321)**	(108,300)	(834)
Exercise of share purchase options	**24,411**	**246**	1,505	18
Issuance of shares as consideration for business acquisitions	**300,000**	**5,100**	—	—
Balance, end of year	**23,731,703**	**$ 185,216**	23,370,853	$ 179,978
Class B Shares				
Balance, beginning of year	**13,699,852**	**$ 37,346**	13,836,735	$ 37,716
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(78,139)**	**(213)**	(16,152)	(44)
Share redemptions	**(66,400)**	**(181)**	(122,700)	(335)
Exercise of share purchase options	—	—	1,969	9
Balance, end of year	**13,555,313**	**$ 36,952**	13,699,852	$ 37,346

Preferred Shares

On November 1, 1999, the Corporation redeemed all First Preferred Shares, Series C, for a cash amount of $40 million.

(tabular amounts are expressed in thousands of dollars, except per share data)

9. Capital stock (continued)

Long-term incentive and stock option plans

The Corporation established a plan to complement the base remuneration of senior executives of the Corporation by granting conditional stock options for Class B Shares based on the attainment of financial objectives over three-year cycles. Since May 1992, the shares with respect to which purchase options may be granted pursuant to this new plan are Class A Subordinate Voting Shares. This plan was terminated in 1998. Consequently, no conditional options have been granted since 1998.

Year of grant	Number of conditional options granted	Number of options exercised	Number of options cancelled	Number of options available for exercise	Expiry year	Purchase price
1995	63,897	4,538	48,359	11,000	2001	$ 10.38
1996	58,645	15,563	21,816	21,266	2002	10.05
1997	55,403	2,403	22,540	30,460	2003	11.65
	177,945	22,504	92,715	62,726		

In 1999, the Corporation established a new stock option plan for the benefit of certain officers of the Corporation. The shares affected are Class A Subordinate Voting Shares. Under the plan, a total of 1.5 million shares could be issued. The right to exercise those options, which are vested at a rate of 20% per year during a twelve-month period immediately following the grant date, terminates no later than ten years after such date.

Year of grant	Number of options granted	Number of options exercised	Number of options cancelled	Number of options available for exercise	Expiry year	Purchase price
1999	71,070	—	17,589	53,481	2009	$ 16.95
2000	**215,714**	—	**7,078**	**208,636**	**2010**	**16.70-19.25**
	286,784	—	24,667	262,117		

The Corporation granted loans to certain officers for the purchase of shares for an amount of $1,310,000 ($275,000 in 1999). These loans bear interest at 5% per year, payable annually, and can be reimbursed in advance at any time without penalty.

10. Financial expenses

	2000	1999	1998
Financial expenses on long-term debt	**$ 36,865**	$ 23,417	$ 18,855
Other financial (income) expenses and exchange effect	**(5,937)**	1,887	1,531
	$ 30,928	$ 25,304	$ 20,386

(tabular amounts are expressed in thousands of dollars, except per share data)

11. Commitments and contingent liabilities

Pursuant to various contracts and undertakings, the Corporation and its subsidiaries are committed to future minimum payments of $94,433,000. The minimum payments required over the forthcoming years are as follows:

2001	2002	2003	2004	2005	2006 and thereafter
$16,992	$16,372	$14,576	$13,689	$11,956	$20,848

In the normal course of business, the Corporation and its subsidiaries are involved in various claims and legal proceedings. Although the resolution of these various cases, pending as at October 31, 2000, cannot be determined with certainty, the Corporation believes that their outcome would not likely have a material adverse effect on its financial position and operating results, in light of the provisions or insurance covering a number of these items.

12. Income taxes

	Asset and liability method	Deferral method	
	2000	1999	1998
Combined federal and Québec tax rate	**38.2%**	38.3%	38.3%
Higher tax rate in other jurisdictions	**1.1**	1.3	1.7
Manufacturing and processing profits tax credits	**(5.5)**	(5.3)	(5.9)
Other	**0.3**	0.8	0.5
Effective tax rate	**34.1%**	35.1%	34.6%

Income tax expense for the years ended October 31, is as follows:

	Asset and liability method	Deferral method	
	2000	1999	1998
Current	**$ 42,991**	$ 35,588	$ 21,866
Future	**(84)**	(2,191)	4,840
	$ 42,907	$ 33,397	$ 26,706

(tabular amounts are expressed in thousands of dollars, except per share data)

12. Income taxes (continued)

As at October 31, 2000, future income taxes are as follows:

Future tax assets	
Capital assets	$ (3,737)
Other assets	4,450
Tax benefits arising from unused tax losses	5,652
	$ 6,365

Future tax liabilities	
Capital assets	$ 68,242
Other liabilities	13,445
Tax benefits arising from unused tax losses	(12,357)
	$ 69,330

The Corporation and its subsidiaries have unrecorded potential tax benefits of approximately $4,500,000, which can be applied against future taxable income through 2015. The Corporation also has capital losses of approximately $21,045,000.

13. Pension plans

The Corporation has various contributory and non-contributory defined benefit pension plans for its employees and those of its participating subsidiaries. Retirement benefits are generally based on years of service and employees' compensation. Pension funding is based on actuarial estimates and is subject to limitations under applicable income tax and other regulations. Actuarial estimates prepared during the year were based on assumptions related to projected employee compensation levels to the time of retirement and the anticipated long-term rate of return on pension plan assets. During the year, the Corporation incurred $3,815,000 ($3,639,000 in 1999; $3,498,000 in 1998) in pension expenses.

The surplus of the pension plans is as follows:

	2000	1999
Fair market value of pension fund assets	$ 83,796	$ 66,759
Actuarial present value of accrued pension benefits	77,467	64,491
	$ 6,329	$ 2,268

14. Changes in non-cash operating working capital items

The changes in non-cash operating working capital items are as follows:

	2000	1999	1998
Accounts receivable	$ (42,046)	$ (6,820)	$ (14,098)
Inventories	(40,730)	10,505	(10,048)
Prepaid expenses	(1,625)	481	(522)
Accounts payable and accrued liabilities	50,900	13,161	23,934
Deferred subscription revenues	(2,257)	(239)	690
	$ (35,758)	$ 17,088	$ (44)

(tabular amounts are expressed in thousands of dollars, except per share data)

15. Business acquisitions

During the year, the Corporation made the following significant acquisitions:

Operating sector	Acquisition	Date of acquisition
Printing	Global Promotion Group de Mexico S.A. de C.V. in Mexico	December 16, 1999
Distribution	L'Express d'Outremont Inc. in Québec	December 21, 1999
Publishing	Certain assets of Telemedia Communications Inc. in Québec and in Ontario	February 1, 2000
Technology	51% of the shares of Ergosoft Inc. in Québec	May 18, 2000
	Disques R.S.B. inc. in Québec	June 29, 2000
	51% of the shares of Infinet Communications Inc. in Ontario	August 1, 2000

During the year ended October 31, 1999, the Corporation made the following significant acquisitions:

Operating sector	Acquisition	Date of acquisition
Printing	Webmaster Inc. in Nova Scotia	September 14, 1999
	The assets of Spectra Graphics and the Newtown/CPC division in Pennsylvania	October 22, 1999
Distribution	*L'Avenir de votre région* and *La feuille d'Érable* weeklies in Québec	February 5, 1999
Publishing	*Le Journal économique* of Québec City	December 17, 1998
	Investment Executive, IE:Money magazines and investmentexecutive.com in Ontario	June 21, 1999
	Plesman Communications Inc. in Ontario	September 9, 1999
Technology	50% of the shares of Marcotte Multimédia Inc. of Québec City	July 31, 1999

During the year ended October 31, 1998, the Corporation made the following significant acquisitions:

Operating sector	Acquisition	Date of acquisition
Printing	Groupe Interweb inc., in Québec	December 19, 1997
	Prescom Ltd., in Québec	January 9, 1998
	Refosa in Mexico	July 10, 1998
	Impressions des Associés inc., in Québec	September 8, 1998
	LGM Group Ltd., in Manitoba	October 16, 1998
Distribution	The Flyer Network in Ontario (distribution network)	July 31, 1998
	Journal L'Expression de Lanaudière Inc., in Québec	August 31, 1998
Publishing	*Hockey Business News* in California	October 7, 1998

(tabular amounts are expressed in thousands of dollars, except per share data)

15. Business acquisitions (continued)

These transactions are summarized as follows:

	2000	1999	1998
Assets acquired			
Working capital	**$ 5,980**	$ 5,744	$ (4,747)
Capital assets	**8,213**	12,800	116,459
Goodwill	**176,368**	87,051	126,662
Other	**610**	153	1,458
	191,171	105,748	239,832
Liabilities assumed			
Long-term debt	**6,500**	200	61,022
Other	**27,796**	835	25,801
	$ 156,875	$ 104,713	$ 153,009
Consideration			
Cash	**$ 151,775**	$ 104,713	$ 137,094
Class A Subordinate Voting Shares	**5,100**	—	15,915
	$ 156,875	$ 104,713	$ 153,009

16 Unusual item

In October 1999, following the disposal of certain distribution assets in central and southern Ontario, the Corporation recorded a loss of $4.7 million after deferred charges amounting to $11.1 million were written off.

17. Financial instruments

Credit risk

The Corporation analyzes and reviews the financial health of its current clientele on an ongoing basis and applies rigorous evaluation procedures to all new customers. A specific credit risk provision is established for each customer and reviewed periodically by the Corporation.

The Corporation is protected against any concentration of credit risk through diversification of its products, clientele and suppliers. The Corporation has concluded long-term contracts with most of its major customers. These contracts contain cost-escalation clauses equivalent to those required by the Corporation's suppliers. The Corporation is exposed to credit risk arising from financial instruments if a counterparty fails to meet its obligations; however, it does not foresee such an occurrence since it deals only with recognized financial institutions with a superior credit rating.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk as a result of the activities of its subsidiary in Mexico and has no financial instrument that could reduce this risk. However, the Corporation regularly evaluates the cost of these instruments and does not consider them economically viable. As at October 31, 2000, the Corporation had US$95.5 million (US$75.0 million in 1999) in foreign exchange forward contracts resulting from its strategy of hedging foreign currency cash flows against currency fluctuations. The terms of these forward contracts range from one month to thirty-six months, and the rates vary from 1.4353 to 1.5390 for U.S. dollars.

(tabular amounts are expressed in thousands of dollars, except per share data)

17. Financial instruments (continued)

Interest rate risk

As stated in Note 8 on long-term debt, most of the long-term debt of the Corporation is at fixed interest rates. Certain subsidiaries have concluded interest rate swaps to reduce their exposure to interest rate fluctuations on their variable rate debt.

The table below shows the notional amount and interest rate risk of long-term debt:

		Value before hedging		Value after hedging	
	Total borrowings	Interest rate Fixed	Interest rate Variable	Interest rate Fixed	Interest rate Variable
Long-term debt					
2000	**$ 467,840**	**$ 256,718**	**$ 211,122**	**$ 269,358**	**$ 198,482**
1999	343,933	274,252	69,681	303,770	40,163

Fair value

The book value of certain financial instruments maturing in the short term approximates their fair value. These financial instruments include accounts receivable, accounts payable and accrued liabilities. The table below shows the book value and the fair value of certain financial instruments as at October 31, 2000 and 1999. The fair value is determined essentially by discounting cash flows using quoted market prices. The calculated fair values approximate the amounts for which the financial instruments could be settled between consenting parties, based on current market data for similar instruments. Consequently, as fair values must be estimated, they must not be interpreted as being realizable in the event of an immediate settlement of the instruments.

	2000		1999	
	Fair value	Book value	Fair value	Book value
Financial liability				
Long-term debt	**$ 467,572**	**$ 467,840**	**$ 346,524**	**$ 343,933**
Off-balance sheet items				
Foreign exchange forward contracts	**(3,982)**	—	1,744	—
Interest rate swaps	**40**	—	26	—

18. Comparative figures

Certain prior year figures have been reclassified to comply with the current year presentation.

19. Segmented information

See "Segmented information" section on pages 50 and 51.

The Corporation is active in the communications industry and conducts its business in four operating sectors: printing, distribution, publishing and technology. The accounting principles used within the sectors are applied in the same manner as for the consolidated financial statements. The corporate office is responsible for financing, development and control of the Corporation and offers services in the fields of human resources, law, public relations and taxation.

Operating sectors

	Consolidated			Printing		
(in thousands of dollars)	**2000**	1999	1998	**2000**	1999	1998
Revenues						
Canadian locations	**$1,248,998**	$1,102,086	$ 971,986	**$ 933,264**	$ 882,219	$ 778,355
Canadian locations exporting to foreign countries	**316,097**	243,576	211,660	**247,129**	194,104	172,055
American and Mexican locations	**233,706**	202,960	153,110	**154,695**	106,570	70,983
Total	**$1,798,801**	$1,548,622	$1,336,756	**$ 1,335,088**	$1,182,893	$1,021,393
Operating income before amortization	**$ 261,964**	$ 218,312	$ 175,643	**$ 194,098**	$ 163,355	$ 130,014
Operating income	**166,963**	132,901	104,575	**128,737**	104,868	81,891
Total assets	**$1,501,917**	$1,263,802	$1,153,587	**$ 963,912**	$ 902,391	$ 821,396
Acquisition of capital assets	**112,755**	99,856	94,465	**92,703**	77,031	77,236
Amortization	**123,745**	98,087	80,967	**78,499**	64,404	52,047

Geographical regions

	Consolidated			Canada		
(in thousands of dollars)	**2000**	1999	1998	**2000**	1999	1998
Revenues	**$1,798,801**	$1,548,622	$1,336,756	**$ 1,565,095**	$1,345,662	$1,183,646
Operating income before amortization	**$ 261,964**	$ 218,312	$ 175,643	**$ 239,119**	$ 205,946	$ 161,808
Operating income	**166,963**	132,901	104,575	**168,836**	127,607	98,180
Total assets	**$1,501,917**	$1,263,802	$1,153,587	**$ 1,123,518**	$ 956,403	$ 913,155
Acquisition of capital assets	**112,755**	99,856	94,465	**90,791**	73,724	86,497
Amortization	**123,745**	98,087	80,967	**95,475**	76,131	66,511

Distribution			Publishing			Technology			Other		
2000	1999	1998	**2000**	1999	1998	**2000**	1999	1998	**2000**	1999	1998
$ 151,471	$ 151,691	$ 134,706	**$ 166,747**	$ 55,107	$ 51,072	**$ 52,548**	$ 54,686	$ 48,247	**$ (55,032)**	$ (41,617)	$ (40,394)
—	—	—	**11,751**	10,893	8,316	**57,217**	38,579	31,289	—	—	—
—	—	—	**453**	200	977	**78,558**	96,190	81,150	—	—	—
$ 151,471	$ 151,691	$ 134,706	**$ 178,951**	$ 66,200	$ 60,365	**$ 188,323**	$ 189,455	$ 160,686	**$ (55,032)**	$ (41,617)	$ (40,394)
$ 22,474	$ 15,345	$ 19,086	**$ 27,101**	$ 13,203	$ 10,358	**$ 22,356**	$ 29,747	$ 19,854	**$ (4,065)**	$ (3,338)	$ (3,669)
17,865	8,998	15,826	**23,746**	12,209	9,616	**1,156**	10,526	2,889	**(4,541)**	(3,700)	(5,647)
$ 50,324	$ 53,336	$ 73,211	**$ 243,433**	$ 71,035	$ 38,175	**$ 188,060**	$ 190,052	$ 195,213	**$ 56,188**	$ 46,988	$ 25,592
557	2,256	4,975	**3,377**	1,506	679	**15,351**	18,734	11,385	**767**	329	190
7,573	9,211	5,908	**13,539**	2,520	1,767	**23,657**	21,589	19,267	**477**	363	1,978

United States and Mexico		
2000	1999	1998
$ 233,706	$ 202,960	$ 153,110
$ 22,845	$ 12,366	$ 13,835
(1,873)	5,294	6,395
$ 378,399	$ 307,399	$ 240,432
21,964	26,132	7,968
28,270	21,956	14,456

Historical Financial Review

for years ended October 31

(in thousands of dollars, except per share data and ratios)	**2000**	1999	1998
Operations			
Revenues	**$ 1,798,801**	$1,548,622	$1,336,756
Operating income before amortization	**261,964**	218,312	175,643
Operating income	**166,963**	132,901	104,575
Net income before amortization of goodwill	**85,536**	59,592	50,342
Net income	**61,078**	48,610	42,104
Cash flow from operations	**184,331**	153,986	127,303
Investments			
Acquisition of capital assets	**112,755**	99,856	94,465
Business acquisitions (1)	**156,875**	104,713	153,009
Financial condition			
Working capital	**(60,785)**	(34,277)	(50,705)
Capital assets	**614,033**	581,494	564,077
Net assets employed (2)	**1,109,365**	890,216	824,328
Total assets	**1,501,917**	1,263,802	1,153,587
Total indebtedness, net	**464,650**	295,474	268,865
Shareholders' equity	**477,299**	454,630	424,946
Per common share data			
Operating income before amortization	**7.05**	5.87	4.75
Operating income	**4.49**	3.57	2.83
Net income before amortization of goodwill	**2.30**	1.52	1.27
Net income	**1.64**	1.22	1.05
Cash flow from operations	**4.96**	4.06	3.35
Dividends on common shares	**0.20**	0.16	0.16
Common shareholders' equity	**12.80**	11.18	10.32
Other statistics			
Average number of common shares outstanding (000's)	**37,158**	37,181	36,998
Number of common shares at end of year (000's)	**37,287**	37,071	37,298
Return ratios			
Cash flow margin (3)	**14.6%**	14.1 %	13.1 %
Operating margin (4)	**9.3**	8.6	7.8
Return on average net assets employed (5)	**13.8**	14.0	13.9
Return on average common shareholders' equity	**13.7**	11.4	11.2
Financial ratios			
Working capital ratio	**0.9:1**	0.9:1	0.9:1
Total indebtedness/Shareholders' equity, net	**1.0:1**	0.7:1	0.6:1
Total indebtedness/Operating income before amortization, net	**1.8:1**	1.4:1	1.5:1
Coverage of financial expenses			
Cash coverage (6)	**8.5:1**	8.6:1	8.6:1
Earnings coverage (7)	**5.4:1**	5.3:1	5.1:1

(1) Represent acquisitions of businesses and investments through the purchase of shares or assets in consideration of cash or shares of the Corporation.

(2) Total assets less cash, accounts payable and accrued liabilities.

(3) Operating income before amortization to revenues.

(4) Operating income to revenues.

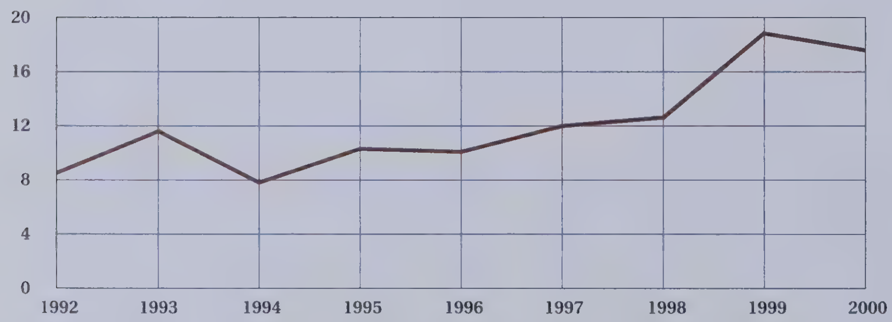
1997	1996	1995	1994	1993	1992	1991
$1,124,327	$1,045,000	$ 960,000	$ 793,440	$ 640,972	$ 546,865	$ 413,544
140,408	135,534	126,087	106,599	78,725	65,657	42,119
81,328	81,132	79,633	65,189	50,473	36,809	16,843
40,984	10,468	31,253	23,260	20,308	13,397	3,809
34,833	5,450	28,700	20,956	18,277	11,466	1,987
109,465	96,812	86,121	76,784	61,385	42,486	31,816
62,396	72,630	65,646	52,563	44,627	30,472	34,327
63,625	24,686	89,845	29,263	86,133	105,000	—
(14,746)	19,658	104,718	55,848	71,914	26,635	32 790
417,461	391,343	360,433	328,415	317,174	239,332	153,635
542,596	542,350	647,872	524,581	483,059	305,703	236,920
808,074	739,240	840,458	665,186	617,832	422,358	312,786
100,317	138,087	247,255	155,673	181,725	108,495	93,571
352,331	322,509	326,000	303,821	247,743	170,133	118,030
4.04	3.88	3.62	3.06	2.75	3.03	2.07
2.34	2.33	2.28	1.87	1.76	1.70	0.83
1.09	0.21	0.80	0.66	0.69	0.52	0.11
0.91	0.06	0.73	0.60	0.62	0.43	0.02
3.06	2.68	2.38	2.20	2.13	1.86	1.48
0.12	0.12	0.12	0.12	0.14	—	—
9.02	8.09	8.20	7.58	7.12	5.60	4.89
34,720	34,890	34,866	34,819	28,601	21,691	20,309
34,637	34,937	34,885	34,827	34,784	23,432	20,257
12.5 %	13.0 %	13.1 %	13.4 %	12.3 %	12.0 %	10.2 %
7.2	7.8	8.3	8.2	7.9	6.7	4.1
13.5	12.6	13.0	12.4	12.2	12.8	6.4
10.6	0.8	9.3	8.1	9.3	8.1	0.3
0.9:1	1.1:1	1.5:1	1.3:1	1.5:1	1.2:1	1.4:1
0.3:1	0.4:1	0.8:1	0.5:1	0.7:1	0.6:1	0.8:1
0.7:1	1.0:1	2.0:1	1.5:1	2.3:1	1.7:1	2.2:1
10.9:1	6.7:1	7.7:1	6.2:1	7.1:1	5.1:1	4.2:1
5.7:1	3.7:1	4.7:1	3.6:1	4.4:1	2.7:1	1.5:1

(5) Operating income after amortization of goodwill on average net assets employed.

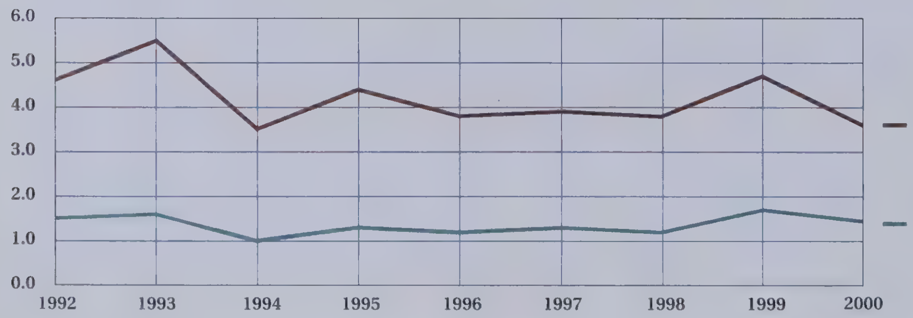
(6) Coverage of financial expenses by operating income before amortization.

(7) Coverage of financial expenses by operating income.

Fiscal year-end:	October 31
Fiscal quarter-end:	January 31, April 30, July 31 and October 31
Stock listing:	The Class A Subordinate Voting Shares and Class B Shares are listed on the Toronto Stock Exchange under the trading symbols GRT.A and GRT.B, respectively.
Transfer agent and registrar:	Montreal Trust Company Montréal: 1800, avenue McGill College, Montréal (Québec) H3A 3K9 Toronto: 100 University Avenue, 11th Floor, Toronto, Ontario M5J 1V6
Number of shares outstanding as at October 31, 2000:	23,731,703 Class A Subordinate Voting Shares 13,555,313 Class B Shares
Public float as at October 31, 2000:	23,523,125 Class A Subordinate Voting Shares 3,408,094 Class B Shares



Common Shares Price
(average of closing price of shares A and B as at October 31)



	1992	1993	1994	1995	1996	1997	1998	1999	**2000**
Price/Cash Flow from Operations	4.6	5.5	3.5	4.4	3.8	3.9	3.8	4.7	**3.6**
Price/Common Shareholders' Equity	1.5	1.6	1.0	1.3	1.2	1.3	1.2	1.7	**1.4**
Common Shareholders' Equity	$5.60	$7.12	$7.58	$8.20	$8.09	$9.02	$10.32	$11.18	**$12.80**
Cash Flow from Operations	$1.86	$2.13	$2.20	$2.38	$2.68	$3.06	$ 3.36	$ 4.06	**$ 4.96**

Selected Quarterly Financial Data

(unaudited, in thousands of dollars, except per share data)

	Quarters ended			
2000	January 31	April 30	July 31	October 31
Revenues	**$ 414,405**	**$ 449,386**	**$ 424,704**	**$ 510,306**
Operating income before amortization	**59,468**	**66,385**	**59,718**	**76,393**
Operating income	**36,672**	**43,415**	**35,913**	**50,963**
Net income before amortization of goodwill	**16,853**	**24,303**	**16,710**	**27,670**
Net income	**11,846**	**17,086**	**10,451**	**21,695**
Net income per share	**0.32**	**0.46**	**0.28**	**0.58**
1999	January 31	April 30	July 31	October 31
Revenues	$ 384,707	$ 387,732	$ 354,364	$ 421,819
Operating income before amortization	48,915	58,330	45,627	65,440
Operating income	28,014	37,239	23,810	43,838
Net income before amortization of goodwill	10,679	17,811	11,713	19,389
Net income	8,295	14,709	9,039	16,567
Net income per share	0.20	0.37	0.22	0.43
1998	January 31	April 30	July 31	October 31
Revenues	$ 291,261	$ 330,982	$ 307,612	$ 406,901
Operating income before amortization	31,598	46,841	37,272	59,932
Operating income	15,475	28,850	19,203	41,047
Net income before amortization of goodwill	6,838	14,243	8,739	20,522
Net income	5,195	12,053	6,513	18,343
Net income per share	0.12	0.31	0.15	0.47

Trading of Common Shares

Montréal Exchange and Toronto Stock Exchange	High $	Low $	Closing $	Volume (in thousands of shares)
1996 (GRT.B)	11.88	9.10	10.05	1,653
1996 (GRT.A)	12.00	8.75	10.05	15,215
1997 (GRT.B)	12.65	9.25	12.30	2,857
1997 (GRT.A)	12.45	9.10	11.65	16,616
1998 (GRT.B)	17.35	11.25	12.50	573
1998 (GRT.A)	17.25	11.00	12.70	12,308
1999 (GRT.B)	20.50	12.45	19.10	490
1999 (GRT.A)	20.90	12.50	18.50	8,993
2000 (GRT.B)				
First quarter	**20.00**	**16.50**	**18.15**	**143**
Second quarter	**19.95**	**16.00**	**16.75**	**50**
Third quarter	**18.50**	**16.45**	**17.00**	**94**
Fourth quarter	**20.50**	**15.75**	**17.70**	**32**
Year	**20.50**	**15.75**	**17.70**	**319**
2000 (GRT.A)				
First quarter	**20.25**	**16.60**	**17.60**	**1,512**
Second quarter	**19.00**	**15.75**	**16.70**	**4,303**
Third quarter	**18.75**	**16.40**	**17.40**	**3,458**
Fourth quarter	**20.00**	**15.05**	**17.50**	**3,358**
Year	**20.25**	**15.05**	**17.50**	**12,631**

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1, Place Ville Marie
Bureau 3315
Montréal (Québec) H3B 3N2
Telephone: (514) 954-4000
Fax: (514) 954-4016

Business Locations

Printing Sector

General Management
Transcontinental Printing Inc.
395, boul. Lebeau
Saint-Laurent (Québec) H4N 1S2
Telephone: (514) 337-8560
Fax: (514) 339-5230

RETAIL GROUP

Management
Transcontinental Printing Inc.
Retail Group
5516 Fifth Street South East
Calgary, Alberta T2H 1L3
Telephone: (403) 258-3788
Fax: (403) 255-4863

Plants
Impressions des Associés
300, av. de l'Industrie, C.P. 10
Pointe-au-Père (Québec) G5M 1R1
Telephone: (418) 723-2288
Fax: (418) 724-0914

Impressions des Associés
321, rue Rivard
Rimouski (Québec) G5L 7J6
Telephone: (418) 723-2188
Fax: (418) 722-7517

Impressions des Associés
162, rue Dumais
Rimouski (Québec) G5L 3A5
Telephone: (418) 723-2188
Fax: (418) 723-5330

Transcontinental Printing — Saint-Hyacinthe
2700, boul. Casavant Ouest
Saint-Hyacinthe (Québec) J2S 7S4
Telephone: (450) 773-0289
Fax: (450) 773-4794

Transfinition
8800, boul. Pie IX
Montréal (Québec) H1Z 3V1
Telephone: (514) 376-8800
Fax: (514) 376-1085

Miami Valley Publishing Company, Inc.
679 Yellow Springs-Fairfield Road
Fairborn, Ohio 45324
Telephone: (937) 879-5678
Fax: (937) 878-5283

Transcontinental Printing — Brampton
138 East Drive
Brampton, Ontario L6T 1C1
Telephone: (905) 458-4777
Fax: (905) 458-5981

Transcontinental Printing — Calgary
5516 Fifth Street South East
Calgary, Alberta T2H 1L3
Telephone: (403) 258-3788
Fax: (403) 255-4863

Transcontinental Printing — Vancouver
725 Hampstead Close
Annacis Island, Delta,
British Columbia V3M 6R6
Telephone: (604) 540-2333
Fax: (604) 527-9244

Transcontinental Printing — Winnipeg
55 Dunlop Avenue
Winnipeg, Manitoba R2X 2V2
Telephone: (204) 633-8890
Fax: (204) 697-0753

COMMERCIAL GROUP

Management
Transcontinental Printing Inc.
395, boul. Lebeau
Saint-Laurent (Québec) H4N 1S2
Telephone: (514) 337-8560
Fax: (514) 339-2255

Plants
Imprimerie Interweb inc.
1603, boul. de Montarville
Boucherville (Québec) J4B 5Y2
Telephone: (450) 655-2801
Fax: (450) 641-3650

Ross-Ellis Printing Inc.
300, rue Ann
Montréal (Québec) H3C 2K2
Telephone: (514) 861-2411
Fax: (514) 861-4457

Ross-Ellis Printing Inc.
7399, rue Cordner
LaSalle (Québec) H8N 2R5
Telephone: (514) 861-2411
Fax: (514) 595-7772

Transcontinental Printing — Boucherville
1485, rue de Coulomb
Boucherville (Québec) J4B 7L8
Telephone: (450) 641-9000
Fax: (450) 641-9448

Transcontinental Printing — Drummondville
1330, rue Michaud
Drummondville (Québec) J2C 2Z5
Telephone: (819) 472-1171, (514) 954-0600
Fax: (819) 477-6454

Litho Acme
85, rue de Castelnau Ouest
Montréal (Québec) H2R 2W3
Telephone: (514) 279-4571
Fax: (514) 279-3172

Litho Acme — Prescom
2057, rue Branly
Sainte-Foy (Québec) G1N 4C7
Telephone: (418) 688-1415
Fax: (418) 688-7752

Transmag
10807, rue Mirabeau
Anjou (Québec) H1J 1T7
Telephone: (514) 355-4134
Fax: (514) 355-7575

Transmédia
1500, boul. Jules-Poitras
Saint-Laurent (Québec) H4N 1X7
Telephone: (514) 334-8420
Fax: (514) 334-4874

Bayweb
13 William Street
Elmvale, Ontario L0L 1P0
Telephone: (705) 322-1822
Fax: (705) 322-1927

Interweb Ontario
5650 Keaton Crescent
Mississauga, Ontario L5R 3G3
Telephone: (905) 890-2801
Fax: (905) 890-3330

LGM Graphics
737 Moray Street
Winnipeg, Manitoba R3J 3S9
Telephone: (204) 889-9050, 1 800 665-3316
Fax: (204) 889-9897

RBW Graphics
2049 Twentieth Street East
Owen Sound, Ontario N4K 5R2
Telephone: (519) 376-8330
Fax: (519) 376-1164

Spot Graphics
1615 Inkster Blvd.
Winnipeg, Manitoba R2X 1R2
Telephone: (204) 988-1760, 1 800 665-4832
Fax: (204) 988-1756

Printing Sector

Transcontinental Digital Services
66 Nuggett Court
Brampton, Ontario L6T 5A9
Telephone: (905) 792-8385
Fax: (905) 792-3731

Web Atlantic
114 Chain Lake Drive
Halifax, Nova Scotia B3S 1B1
Telephone: (902) 450-5611, 1 877 468-9002
Fax: (902) 450-5027

BOOK GROUP

Management
Transcontinental Printing Inc.
Book Group
150, 181e Rue
Beauceville Est (Québec) G5X 3P3
Telephone: (418) 774-3367, 1 800 463-8952
Fax: (418) 774-3380

Plants
Imprimerie Gagné
80, av. Saint-Martin
Louiseville (Québec) J5V 1B4
Telephone: (819) 228-2766, 1 800 567-2154
Fax: (819) 228-8390

Interglobe Printing Inc.
150, 181e Rue
Beauceville Est (Québec) G5X 3P3
Telephone: (418) 774-3367, 1 800 463-8952
Fax: (418) 774-3380

Métrolitho
4001, boul. de Portland
Sherbrooke (Québec) J1L 1X9
Telephone: (819) 563-4001
Fax: (819) 562-8944

Best Book
100 Jameson Drive
Peterborough, Ontario K9J 6X6
Telephone: (705) 741-3781
Fax: (705) 741-3673

SALES OFFICES

Transcontinental Printing Inc.
20 Firwood Crescent
Moncton, New Brunswick E1A 5X2
Telephone: (506) 855-5054
Fax: (506) 855-5054

Imprimeries Transcontinental inc.
1201, boul. Marie-Victorin
Saint-Bruno-de-Montarville (Québec)
J3V 6C3
Telephone: (450) 441-1201, 1 800 361-3599
Fax: (450) 441-4242

Interglobe Montréal
67 Mowat Avenue, Suite 340
Toronto, Ontario M6K 3E3
Telephone: (416) 533-6275
Fax: (416) 200-1990

LGM Graphics Inc.
150 Consumers Road, Suite 306
Toronto, Ontario M2J 1P9
Telephone: (416) 499-6040
Fax: (416) 499-8091

Ross-Ellis Printing Inc.
111 Esna Park Drive, Unit 2
Markham, Ontario L3R 1H2
Telephone: (905) 475-9811
Fax: (905) 475-9814

Transcontinental Printing Inc.
505 Consumers Road, Suite 401
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Fax: (416) 492-2733

Transcontinental Printing Inc.
14 Cobbler Court
Ottawa, Ontario K1V 0B8
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Fax: (613) 225-3706

LGM Graphics Inc.
100-1039 17th Avenue, S.W., Suite 332
Calgary, Alberta T2T 0B2
Telephone: (403) 242-5455
Fax: (403) 242-6466

Spot Graphics Inc.
4620 Manilla Rd. S.E.
Calgary, Alberta T2G 4B7
Telephone: (403) 287-9377
Fax: (403) 287-0550

LGM Graphics Inc.
125A - 4664 Lougheed Highway
Burnaby, British Columbia V5C 5T5
Telephone: (604) 473-9311
Fax: (604) 473-9312

Transcontinental Printing Inc.
1171 Zeballos Drive
Courtenay, British Columbia V9N 8P7
Telephone: (250) 338-4200
Fax: (250) 338-2151

Transcontinental Printing Inc.
15373 Victoria Avenue
White Rock, British Columbia V4B 1H1
Telephone: (604) 535-8800
Fax: (604) 535-8802

Ross-Ellis U.S.A. Inc.
8300 Tampa Avenue, Suite J
Northridge, California 91325
Telephone: (818) 993-4767
Fax: (818) 993-4760

Transcontinental Printing Inc.
4555 Mansell Road, Suite 300
Alpharetta, Georgia 30022
Telephone: (770) 521-4230
Fax: (770) 521-4231

Transcontinental Printing Inc.
1419 West Jarvis Avenue
Chicago, Illinois 60626
Telephone: (773) 262-3468
Fax: (773) 262-3524

Transcontinental Printing Inc.
245 Eliot Street
Ashland, Massachusetts 01721
Telephone: (508) 881-1119
Fax: (508) 881-7739

Transcontinental Printing Inc.
19 Crown Street
Milton, Massachusetts 02186-1419
Telephone: (617) 696-1435
Fax: (617) 696-1025

Transcontinental Printing Inc.
55112 Monroe
Shelby Township, Michigan 48316
Telephone: (248) 650-2852
Fax: (248) 650-3394

Spot Graphics Inc.
13801 Gladiola Way
Apple Valley, Minnesota 55124
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Fax: (612) 432-6511

Ross-Ellis U.S.A. Inc.
67 Irving Place, 9th Floor
New York, New York 10003
Telephone: (212) 260-9200
Fax: (212) 260-2143

Transcontinental Printing Inc.
300 International Drive, Suite 200
Williamsville, New York 14221
Telephone: (716) 626-3078
Fax: (716) 626-3079

Printing Sector

Transcontinental Printing Inc.
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Transcontinental Printing Inc.
37 Herman Blvd.
Franklin Square, New York 11010
Telephone: (516) 775-2980
Fax: (516) 488-0253

Transcontinental Printing Inc.
3175 Summit Square Drive, Suite C9
Oakton, Virginia 22124
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Fax: (703) 255-1343

Transcontinental Printing Inc.
1420 Fifth Avenue, Suite 2200
Seattle, Washington 98101
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Fax: (206) 521-2748

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Transcontinental Media Inc.
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Investment Group
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Fax: (514) 499-3078

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Fax: (514) 392-4726

Senior Publications Inc.
Good Times, Le Bel Âge, Le Journal du Bel Âge
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Montréal (Québec) H3A 2A6
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Fax: (514) 499-3078

Sports Publications
Hockey Business News, The Hockey News, College Basketball, Fantasy Baseball, Fantasy Football, College Football, Pro-Football, Bill Mazerosky Baseball, National Sports Review, NBA Basketball
25 Sheppard Avenue West, Suite 100
North York, Ontario M2N 6S7
Telephone: (416) 733-7600
Fax: (416) 733-3563

Transcontinental Hachette inc.
Elle Québec
2001, rue Université, bureau 900
Montréal (Québec) H3A 2A6
Telephone: (514) 499-0491
Fax: (514) 499-3078

Transcontinental News Bureau Inc.
Preview Sports
The Soho Building
110 Greene Street, Suite 506
New York, New York 10012
Telephone: (212) 343-0062
Fax: (212) 343-0245

Transcontinental News Bureau Inc.
TV Guide
3350 Barham Boulevard
Los Angeles, California 90068
Telephone: (323) 845-0470
Fax: (323) 845-0465

Transcontinental Western Publications
Western Living, Vancouver Magazine
Suite 300, East Tower
555 West 12th Avenue
Vancouver, British Columbia V5Z 4L4
Telephone: (604) 877-7732
Fax: (604) 877-4849

Trustmédia inc.
TV Hebdo, Téléromans
2020, Université, bureau 2000
Montréal (Québec) H3A 2A5
Téléphone: (514) 848-7164
Télécopieur (514) 848-0309

Sales Offices
Transcontinental Procom inc.
1100, boul. René-Lévesque Ouest, 24e étage
Montréal (Québec) H3B 4X9
Telephone: (514) 392-9000
Fax: (514) 392-4724

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Transcontinental Procom inc.
The Soho Building
110 Greeane Street, Suite 506
New York, New York 10012
Telephone: (212) 343-0062
Fax: (212) 343-0245

Media Sector

DISTRIBUTION

Management
Transcontinental Distribution Inc.
523, boul. Lebeau
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Telephone: (514) 337-6920
Fax: (514) 832-5080

Branches
Ad-Bag Brandon
399 Park Avenue East, Unit 3B
Brandon, Manitoba R7A 7A8
Telephone : (204) 729-0475
Telecopieur : (204) 729-0482

Ad-Bag Niagara
380 Vansickle Road, Unit 300
St. Catharines, Ontario L2R 6P7
Telephone: (905) 704-1765
Fax: (905) 704-1967

Ad-Bag Ottawa
1151 Parisien Street
Gloucester, Ontario K1B 4W4
Telephone: (613) 745-7447
Fax: (613) 745-8733

Ad-Bag Winnipeg
1469 St. James Street
Winnipeg, Manitoba R3H 0W9
Telephone: (204) 789-0801
Fax: (204) 953-4305

Distribution Transcontinental
525, boul. Lebeau
Saint-Laurent (Québec) H4N 1S2
Telephone: (514) 337-6920
Fax: (514) 832-5083

Publi-Sac Estrie
4447, boul. Industriel, RR 3
Sherbrooke (Québec) J1L 2S9
Telephone: (819) 566-8585
Fax: (819) 566-8442

Publi-Sac Laurentides
31, boul. de la Seigneurie, bureau 103
Blainville (Québec) J7C 4G6
Telephone: (450) 437-8779
Fax: (450) 437-9767

Publi-Sac Mauricie
645, rue Père Daniel
Trois-Rivières (Québec) G9A 5Z7
Telephone: (819) 374-5533
Fax: (819) 374-1857

Publi-Sac Montérégie
3400, boul. Losch, bureau 15
Saint-Hubert (Québec) J3Y 5T6
Telephone: (450) 926-8313
Fax: (450) 926-8311

Publi-Sac Montréal
529, boul. Lebeau
Saint-Laurent (Québec) H4N 1S2
Telephone: (514) 337-6920
Fax: (514) 337-1427

Publi-Sac Ouest de Montréal
1865, 32e Avenue
Lachine (Québec) H8T 3J1
Telephone: (514) 636-5559
Fax: (514) 636-5501

Publi-Sac Outaouais
189, rue Deveault, bureau 9
Hull (Québec) J8Z 1S7
Telephone: (819) 595-5899
Fax: (819) 595-0934

Publi-Sac Québec
710, rue Bouvier, bureau 107
Charlesbourg (Québec) G2J 1A7
Telephone: (418) 628-3155
Fax: (418) 622-8466

Publi-Sac Saguenay
2150-C, rue Fabien
Chicoutimi (Québec) G7H 5B1
Telephone: (418) 698-1319
Fax: (418) 698-1516

Thunder Bay Media Distributors Inc.
1142 Russell Street
Thunder Bay, Ontario P7B 5N2
Telephone: (807) 622-3224
Fax: (807) 622-6040

Transcontinental Distribution
394-A Orenda Road East
Brampton, Ontario L6T 1G9
Telephone: (905) 799-5920
Fax: (905) 792-5921

WEEKLY NEWSPAPERS

Management
Transcontinental Weeklies
523, boul. Lebeau
Saint-Laurent (Québec) H4N 1S2
Telephone: (514) 337-6920
Fax: (514) 832-5080

Branches
Avenir de l'Est
13307, rue Sherbrooke Est
Pointe-aux-Trembles (Québec) H1A 1C2
Telephone: (514) 644-8484
Fax: (514) 644-0666

Centrale des petites annonces
317, rue Montmorency
Laval (Québec) H7N 1X1
Telephone: (514) 321-2000
Fax: (450) 668-2901

Cités Nouvelles/City News
15716, boul. Gouin Ouest
Sainte-Geneviève (Québec) H9H 1C4
Telephone: (514) 620-0781
Fax: (514) 620-3705

Courrier Ahuntsic
1569, rue Fleury Est, 2e étage
Montréal (Québec) H2C 1S7
Telephone: (514) 381-4414
Fax: (514) 381-1278

Courrier Laval, Courrier Laval Est, Courrier Laval Ouest
189, boul. Laval
Laval (Québec) H7N 3V8
Telephone: (450) 667-4360
Fax: (450) 667-9498

Flambeau de l'Est
Progrès de Saint-Léonard
6424, rue Jean-Talon Est, bureau 202
Montréal (Québec) H1S 1M8
Telephone: (514) 899-5888
Fax: (514) 899-5984

Guide de Montréal-Nord (1)
Informateur Rivière-des-Prairies (2)
5600, boul. Henri-Bourassa Est, bureau 30
Montréal-Nord (Québec) H1G 2T3
Telephone: (514) 322-4642 (1)
(514) 322-3432 (2)
Fax: (514) 322-6191

Journal de Rosemont/Petite Patrie
2622, rue Masson
Montréal (Québec) H1Y 3E5
Telephone: (514) 528-5000
Fax: (514) 528-6069

Journal L'Artisan, Hebdo Rive-Nord
1004, rue Notre-Dame
Repentigny (Québec) J5Y 1S9
Telephone: (450) 581-5120
Fax: (450) 581-6509

L'Action
262, boul. l'Industrie
Joliette (Québec) J6E 8V1
Telephone: (450) 759-3664
Fax: (450) 759-9828

L'Avenir de l'Érable
1717, rue Saint-Calixte
Plessisville (Québec) G6L 1R2
Telephone: (819) 362-7049
Fax: (819) 362-2216

La Nouvelle, L'Union
43, rue Notre-Dame Est
Victoriaville (Québec) G6P 3Z4
Telephone: (819) 758-6211
Fax: (819) 758-2759

La Revue de Gatineau
Week-End Outaouais
430, boul. de l'Hôpital, bureau 106
Gatineau (Québec) J8V 1T7
Telephone: (819) 568-7736, 1 800 567-1289
Fax: (819) 568-7038

La Revue La Petite Nation
70, rue Principale, Case postale 240
Saint-André-Avellin (Québec) J0V 1W0
Telephone: (819) 983-2725
Fax: (819) 983-6844

La Voix Populaire, Le Messager Verdun
6239, boul. Monk
Montréal (Québec) H4E 3H8
Telephone: (514) 768-1920
Fax: (514) 768-3306

Le Bulletin
435, rue Principale
Buckingham (Québec) J8L 2G8
Telephone: (819) 986-5089
Fax: (819) 986-2073

Media Sector

Le Courrier
190, boul. Labelle, bureau 223
Sainte-Thérèse (Québec) J7E 2X5
Telephone: (450) 434-4144
Fax: (450) 434-3142

Le Messager Lachine
230, 15e Avenue, bureau 100
Lachine (Québec) H8S 3M2
Telephone: (514) 637-4756
Fax: (514) 637-3669

Le Messager LaSalle
1560, boul. Dollard
LaSalle (Québec) H8N 1T6
Telephone: (514) 363-5656
Fax: (514) 363-3895

Le Progrès Villeray, Journal Le Plateau
900, rue Bélanger Est
Montréal (Québec) H2S 3P4
Telephone: (514) 270-8088
Fax: (514) 270-8368

Le Reflet du Lac
106, Place du Commerce
Magog (Québec) J1X 5G6
Telephone: (819) 843-3500
Fax: (819) 843-3085

Le Régional Aylmer, Le Régional Hull
815, boul. de la Carrière, bureau 207
Hull (Québec) J8Y 6T4
Telephone: (819) 776-1063, (819) 684-0097
Fax: (819) 776-1668

Les Nouvelles Saint-Laurent/News
Courrier Bordeaux-Cartierville
685, boul. Décarie, bureau 101
Saint-Laurent (Québec) H4L 5G4
Telephone: (514) 855-1292
Fax: (514) 855-1855

Le Trait d'Union, Le Plus
1300, boul. Grande Allée, bureau 210
Lachenaie (Québec) J6W 4M4
Telephone: (450) 964-4400
Fax: (450) 964-3154

L'Express d'Outremont, The TMR Weekly
Post/L'Hebdo de Ville Mont-Royal
1032, av. Laurier Ouest
Outremont (Québec) H2V 2K8
Telephone: (514) 276-9615
Fax: (514) 274-5564

L'Expression
342, rue Beaudry Nord
Joliette (Québec) J6E 6A6
Telephone: (450) 752-0447
Fax: (450) 759-0945

Nouvelles de l'Est
3829, rue Ontario Est
Montréal (Québec) H1W 1S5
Telephone: (514) 526-2224
Fax: (514) 526-0515

Orleans Weekly Journal/The Star/L'Express
815 Taylor Creek Drive, Suite 101
Orleans, Ontario K1C 1T1
Telephone: (613) 830-3005
Fax: (613) 830-2284

The Chronicle
15E, rue Cartier
Pointe-Claire (Québec) H9S 4R7
Telephone: (514) 630-6688
Fax: (514) 694-7620

The Monitor
5890, rue Monkland, bureau 12
Montréal (Québec) H4A 1G2
Telephone: (514) 481-7510
Fax: (514) 481-3492

The Westmount Examiner
210, av. Victoria
Westmount (Québec) H3Z 2M4
Telephone: (514) 484-5610
Fax: (514) 484-6028

Management
Transcontinental Weeklies
1465 St. James Street
Winnipeg, Manitoba R3H 0W9
Telephone: (204) 789-0800
Fax: (204) 953-4300

Branches
the Herald, the Lance, the Metro, the Times
1465 St. James Street
Winnipeg, Manitoba R3H 0W9
Telephone: (204) 949-6100
Fax: (204) 949-6122

The Headingley Headliner
126 Bridge Road, Suite 2
Headingley, Manitoba R4H 1H1
Telephone: (204) 897-5770
Fax: (204) 897-1844

Interactive Marketing Sector

General Management
Interactive Marketing Sector
355, rue Sainte-Catherine Ouest, bur. 500
Montréal (Québec) H3B 1A5
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Fax: (514) 954-4038

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CEDROM-SNi Inc.
825, rue Querbes, bureau 200
Outremont (Québec) H2V 3X1
Telephone: (514) 278-6060
Fax: (514) 278-5415

Cyberpro Technologies Inc.
425, rue Saint-Jean-Baptiste
Montréal (Québec) H2Y 2Z7
Telephone: (514) 868-9944
Fax: (514) 868-9932

Ergonet
87, rue Prince, bureau 350
Montréal (Québec) H3C 2M7
Telephone: (514) 493-3746
Fax: (514) 493-1502

Infinet Communications Inc.
600 King Street West, 3rd Floor
Toronto, Ontario M5V 1M3
Telephone: (416) 955-9449
Fax: (416) 955-9666

Interglobe Montréal
4491, boul. des Grandes-Prairies
Saint-Léonard (Québec) H1R 1A5
Telephone: (514) 328-7070
Fax: (514) 328-1389

IXIA
825, rue Querbes, bureau 200
Outremont (Québec) H2V 3X1
Telephone: (514) 278-6060
Fax: (514) 278-5415

Marcotte Multimédia Inc.
570, boul. Charest Est, bureau 200
Québec (Québec) G1K 9G3
Telephone: (418) 524-1114
Fax: (418) 524-1116

MontréalPlus.ca
355, rue Sainte-Catherine Ouest, bur. 603
Montréal (Québec) H3B 1A5
Telephone: (514) 288-9808
Fax: (514) 288-9868

Newtown
11 Friends Lane
Newtown, Pennsylvania 18940
Telephone: (215) 968-5001, 1 800 341-0113
Fax: (215) 968-5852

Publisac.ca
355, rue Sainte-Catherine Ouest, bur. 500
Montréal (Québec) H3B 1A5
Telephone: (514) 287-7600
Fax: (514) 287-9591

Interactive Marketing Sector

Sodema
1501, av. McGill College, bureau 1000
Montréal (Québec) H3A 3M8
Telephone: (514) 287-1717
Fax: (514) 287-3342

Spectra Graphics
2250 Easton Road
Willow Grove, Pennsylvania 19090
Telephone: (215) 659-4000
Fax: (215) 659-3122

Yorkville Printing
8 Tidemore Avenue
Etobicoke, Ontario M9W 5H4
Telephone: (416) 741-1900
Fax: (416) 401-2220

Sales Office
Interactive Marketing
8 Tidemore Avenue
Etobicoke, Ontario M9W 5H4
Telephone: (416) 741-1900
Fax: (416) 402-2220

Compact Discs

General Management
Americ Disc Inc.
2525, rue Canadien
Drummondville (Québec) J2C 7W2
Telephone: (819) 474-2655, 1 800 263-0419
Fax: (819) 478-4575

Plants
Americ Disc Inc.
2525, rue Canadien
Drummondville (Québec) J2C 7W2
Telephone: (819) 474-2655, 1 800 263-0419
Fax: (819) 474-2870

Americ Disc U.S.A. - Florida Inc.
8455 N.W. 30th Terrace
Miami, Florida 33122
Telephone: (305) 599-3828, 1 800 364-0759
Fax: (305) 599-7052

Americ Disc U.S.A. - California Inc.
4700 Enterprise Parkway
P.O. Box 1336
Salida, California 95368
Telephone: (209) 545-7360, 1 888 545-7350
Fax: (209) 545-7370

Service Centre
Americ Disc U.S.A. - Minnesota Inc.
8716 Harriet Avenue South
Bloomington, Minnesota 55420
Telephone: (612) 703-0033, 1 800 903-1770
Fax: (612) 884-6426

Distribution Centres
Americ Disc U.S.A. - Minnesota Inc.
2360 Pilot Knob Road
Mendota Heights, Minnesota 55120
Telephone: (651) 994-8767
Fax: (651) 994-8771

Americ Disc
8688, boul. Pie IX
Montréal (Québec) H1Z 4G2
Telephone: (514) 593-6177
Fax: (514) 593-6255

Sales Offices
Americ Disc Inc.
355, rue Sainte-Catherine Ouest, bur. 500
Montréal (Québec) H3B 1A5
Telephone: (514) 745-2244, 1 888 666-6096
Fax: (514) 745-7650

Aurora (Ontario)
Ottawa (Ontario)
Toronto (Ontario)
Pacific Palisades (California)
San Jose (California)
San Francisco (California)
Fountain Valley (California)
Highland Park (Illinois)
Naperville (Illinois)
Miami (Florida)
Grover (North Carolina)
Fort Mill (South Carolina)
Cedar Knolls (New Jersey)

Mexico

General Management
G.T.C. Mexico Holding, S.A. de C. V.
Democracias 116
Col. San Miguel Amantla
Azcapotzalco
México, D.F. 02700
Telephone: (525) 354-0100
Fax: (525) 354-0175

PRINTING

Impresora Transcontinental de México, S.A. de C.V. — Refosa
Democracias 116
Col. San Miguel Amantla, Azcapotzalco
México, D.F. 02700
Telephone: (525) 354-0100
Fax: (525) 354-0112

Impresora Transcontinental de México, S.A. de C.V. — Refosa
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Calle 7 Norte, Esq.Eje 1 Norte
Col. Ampliación Parque Industrial Toluca 2000
Toluca, Edo de México 50200
Telephone: (527) 275-4040
Fax: (527) 275-4041

Impresora Transcontinental de México, S.A. de C.V.
Imagen Digital
Ingenieros Militares 97
Col. Lomas de Sotelo
Naucalpan, Edo. de México 11200
México
Telephone: (525) 359-5015
Fax: (525) 359-2912

DISTRIBUTION

Transcontinental Distribucion de México, S.A. de C.V.
Global Promotion Group
Via Gustavo Baz 98 Piso 2
Fracc. Industrial Alce Blanco
Naucalpan Edo. de México 53370
México
Telephone: (525) 358-8809
Fax: (525) 358-8896, (poste 102)

Mission

The mission of G.T.C. Transcontinental Group Ltd. is to be a leader in the communications industry in North America, achieving maximum value for customers, employees and shareholders. Transcontinental is involved in prepress services and the production of information vehicles and advertising inserts, the printing and publishing of specialized periodicals, magazines and newspapers, the distribution of printed material, the production of compact discs, and electronic information and commerce.

Guiding Principles

To understand our clients' needs and anticipate their expectations is the cornerstone of everything we do at Transcontinental. To encourage innovation, creativity and continuous improvement is an integral part of the culture of Transcontinental. To establish a stimulating working environment to ensure employee participation and development. To maximize the return on investment for the shareholders and financial partners of Transcontinental. To be a socially and environmentally responsible corporate citizen.

Corporate Governance

Transcontinental believes that sound corporate governance is important to running an efficient operation. For a detailed description of the Corporation's governance practices, see the Management Proxy Circular.

Board of Directors

Rémi Marcoux •
Chairman of the Board
and Chief Executive Officer
G.T.C. Transcontinental Group Ltd.

Luc Desjardins
President
and Chief Operating Officer
G.T.C. Transcontinental Group Ltd.

Pierre Brunet •
Vice Chairman of the Board
National Bank of Canada

Gail Cook-Bennett •
Chairperson,
Canada Pension
Plan Investment Board

J.V. Raymond Cyr •
Chairman of the Board
Polyvalor Inc.

Claude Dubois
President
Gestion Phila Inc.

Harold P. Gordon, Q.C. •
Vice Chairman of the Board
Hasbro, Inc.

Luc Houle •
Vice President
Capital d'Amérique CDPQ Inc.

Hubert T. Lacroix •
Executive Chairman of the Board
Télémédia

Monique Lefebvre
President
Transition Committee for the New City of Montreal

Richard J. Renaud •
Chairman of the Board
Wynnchurch Capital Inc.

- • Member of the Audit Committee of the Board of Directors
- • Member of the Human Resources and Corporate Governance Committee of the Board of Directors

Senior Management

Rémi Marcoux
Chairman of the Board
and Chief Executive Officer

Roger Bélair
President, Impresora
Transcontinental de México

Jean Blouin
Vice President, Public Relations

Réal Boulet
Vice President and Chief
Information Officer

Serge Bragdon
President,
Interactive Marketing Sector

Marie-France Couture
Corporate Controller

Daniel Denault
Vice President
and Chief Financial Officer

Robert Doyon
President and Chief Executive
Officer, Americ Disc

Wayne Newson
President, Printing Sector

Michèle Perryman
Vice President,
Human Resources

Pierre Poirier
Vice President, Legal Affairs
and Administration, and
Corporate Secretary

André Préfontaine
President, Media Sector

Thierry Roussin
Vice President,
Corporate Development

Hélène Tellier
Vice President,
Business Development

Jean-François Thibodeau
Corporate Treasurer

Dated January 17, 2001

General Inquiries

Investors and analysts
For financial information about the Corporation, please contact the Department of Finance and Control.

Media
For general information about the Corporation, please contact the Public Relations Department.

Shareholders
For any inquiries other than a change of address or a change of registration of shares, please contact the Legal Affairs Department.

Duplicate Communications
Some shareholders may receive more than one copy of publications such as quarterly financial statements and the Annual Report. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should advise Montreal Trust Company.

Information
Persons wishing to receive a copy of the Annual Information Form or the Quarterly Reports should call (514) 954-4000.

Des exemplaires en français du rapport annuel, de la notice annuelle et des communiqués trimestriels sont disponibles sur demande au (514) 954-4000. Se puede conseguir un extracto, en Español, de esta memoria anual llamando al número de teléfono siguiente: 514-954-4000.This annual report is also available on the Internet at the following address: http://transcontinental-gtc.com.

Notice of Annual Meeting of Shareholders

The Annual Meeting of the Shareholders of G.T.C. Transcontinental Group Ltd. will be held on March 21, 2001, at 4:00 p.m. at the hôtel Omni Mont-Royal, Salon des Saisons, 1050, rue Sherbrooke Ouest, Montréal, Québec, Canada.

Do you Wish to Receive Quarterly Financial Results?

The Corporation's results are published in the financial press shortly after the end of each quarter. These results are mailed to all registered shareholders.

The Corporation maintains a mailing list to ensure that non-registered shareholders receive quarterly financial press releases. To have your name added to this list, please return the mail-in card sent by your broker.

A number of the Corporation's shareholders have elected not to receive quarterly financial press releases, resulting in cost savings and reduced paper consumption.

Address

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Production

Project management
Public Relations Department
Transcontinental Group

Artistic direction
Susan Séguin

Photography
Pierre Charbonneau photographe

Printing
Transcontinental Printing
— Litho Acme

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Théâtre du Nouveau Monde
and
Éric L'Écuyer
Producteur Saint-Joseph-du-Lac

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